Austria	Sch22	Indonesia	Rp3100	Philipines	Pesos40
Bahrain	Din0.650	Iran	Rls160	Portugal	Esc120
Belgium	BFr48	Israel	NS3.50	S.Arabia	Rls7.00
Canada	C$1.00	Italy	L1700	Singapore	S$4.10
Cyprus	C£0.90	Japan	Y600	Spain	Pta145
Denmark	DKr10.00	Jordan	Fils500	Sri Lanka	Rup30
Egypt	E£2.25	Kuwait	Fils.500	Sweden	SKr9.00
Finland	Fmk7.00	Lebanon	£1,250.00	Switz	SFr2.30
France	FFr7.00	Lux	LFr48	Taiwan	NT$95
Germany	DM2.30	Malaysia	Rm4.25	Thailand	Bt50
Greece	Dr120	Mexico	Peso300	Tunisia	Din0.800
Hong Kong	HK$12	Morocco	Dh8.50	Turkey	L600
Iceland	Ikr125	Neth	Fl2.60	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,738 — Monday January 9 1989 — D 8523A

LIBYA
A bus ride to nowhere
Page 2

World News

Airliner crashes near motorway in England

AN AIRLINER with about 120 people on board crash-landed last night in Leicestershire, central England, near the East Midlands Airport. It apparently hit an embankment alongside the busy M1 motorway after the pilot had reported engine trouble. First reports said at least 10 people died.

The British Civil Aviation Authority said the aircraft belonged to British Midland Airlines and was en route from London's Heathrow Airport to Belfast, Northern Ireland.

PLO mediation offer

The Palestine Liberation Organisation offered to deploy its forces to end fierce fighting in Beirut and southern Lebanon between the Syrian-backed Amal and pro-Iranian Hizbollah (Party of God) militias.

Israel strike threat

Israel's powerful Histadrut labour federation threatened strikes if the Government refused wage earners protection from the effects of a stringent economic austerity programme approved last week.

Sino-Soviet visit

Soviet Foreign Minister Eduard Shevardnadze will visit China in February to help prepare for a Sino-Soviet summit, Tass said. Page 2

S Korea law reform

South Korea's Justice Ministry plans a major revision of the criminal law, to remove offences which have been used for political repression and boost the rights of suspects. Page 2

Rome coalition split

The Italian Government's deteriorating relations with the trade unions have opened up a serious rift within the ranks of the five-party coalition headed Mr Ciriaco De Mita. Page 2

Renault murder case

Four leaders of France's Action Directe guerrilla group are due to appear in court today, charged with having shot dead Renault boss Georges Besse.

Red Army vow

The Japanese Red Army, a radical Japanese guerrilla group based in the Middle East, hailed the death of Emperor Hirohito and vowed to overthrow his successor.

ANC to close camps

The African National Congress, fighting the South African Government for an end to apartheid, said it planned to dismantle its guerrilla camps in Angola, in support of recent accords with South Africa. Page 2

Contra assassinated

A senior military leader of the US-backed Nicaraguan Contras was shot dead in Honduras on Saturday.

Budapest prices rise

Hungary announced consumer price rises ranging up to 80 per cent, despite the opposition of the national trade union council.

US envoys named

US President-elect George Bush named Henry Catto, 57, a former assistant defence secretary, as ambassador to Britain and Vernon Walters, now ambassador to the UN, as ambassador to West Germany.

SA factions fight

Six people were killed in continued fighting between rival black groups in South Africa's Natal province, in which more than 1,000 people have died over the last two years.

Israeli-Soviet thaw

Israeli Foreign Minister Moshe Arens met Soviet Foreign Minister Eduard Shevardnadze in Paris. Afterwards, he said the Soviet Union would upgrade Israel's diplomatic mission in Moscow, marking a continuation of a two-year thaw in relations between the two countries.

Last Reagan budget

US President Ronald Reagan will today submit to Congress his $1,150bn Budget proposals for fiscal 1990. Page 16

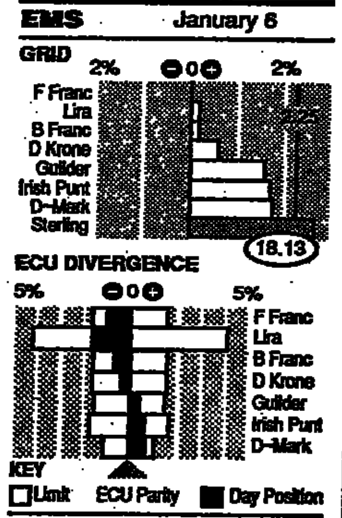
Business Summary

Honeywell Bull cuts US labour force again

HONEYWELL Bull, US-based computer group controlled by Bull of France, is cutting US workforce by 15 per cent – second retrenchment since late 1986, when troubled desktop and mainframe computer company Honeywell US was put into joint venture with Bull and NEC of Japan. Page 18

EUROPEAN Monetary System: French franc remained weakest currency within EMS, and failed to respond to comments by a French official that the franc will be revalued in case of D-Mark revaluation. However, it improved on Friday afternoon, following comments by Bundesbank vice-president Helmut Schlesinger, suggesting that recent dollar sales by Bundesbank were more an attempt to reduce foreign currency reserves rather than intervention in conventional sense. This boosted dollar and served to depress D-Mark.

EMS January 6



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.
Currencies, Page 32

ARTHUR Andersen chief executive Duane Kullberg is to step down as head of world's second largest accounting and consultancy group, more than two years before obliged to under Andersen's constitution. Page 18

CADBURY Schweppes of UK moved closer to success of A$400m (US$344.4m) bid to buy out minority interests in its Australian subsidiary when Australian Mutual Provident accepted offer for its 5 per cent block. Page 18

NINTENDO, Japanese video game leader, has launched lawsuit against Atari Games, its US challenger, charging latter with breach of contract, trade mark infringement, unfair competition and racketeering. Page 18

HOOGOVENS, Dutch steelmaker, reported dramatic turnaround last year, with 1987 loss of Fl 78m ($37.1m) transformed into expected net profit of more than Fl 250m, as result of strong demand and firmer prices. Page 18

EUROBOND markets sprung back to life in first week of 1988, shaking off holiday lethargy, with high-coupon Eurobond issues now clearly order of the day. International bonds, Page 21

SWEDEN'S Budget for 1989, to be presented to parliament on Tuesday, will show small surplus of income over expenditure, first time in 27 years that Government has managed to forecast a balanced budget. Page 2

TASMANIA'S controversial A$1bn (US$873m) paper and pulp mill project – to be built by North Broken Hill Peko, Australian forestry and minerals group, and Noranda Forest, part of Canada's Noranda forests group – is in jeopardy again because of additional environmental guidelines imposed by state government. Page 3

HYUNDAI, South Korean group, is reported to be negotiating $270m order for nine ships from Soviet Union, and is studying possibility of building oil pipeline linking Siberia to North and South Korea. Page 3

Soviet Union will begin removal of chemical weapons

By Edward Mortimer in Paris

THE SOVIET Union will begin eliminating its chemical weapon stockpiles this year "at a facility built for that purpose," Mr Eduard Shevardnadze, the Soviet Foreign Minister announced yesterday.

He was speaking on the second day of a conference in Paris on chemical weapons. His statement was welcomed by the outgoing US Secretary of State, Mr George Shultz, who added: "It's worth noting that while they're building a plant, we have a plant . . . and we've invited people to come and see it."

The US, Mr Shultz said, was already destroying its old stocks of "unitary" chemical weapons, while replacing them with "much safer" binary ones (substances stored separately, and harmless until combined), pending the conclusion of a convention banning such weapons worldwide.

One main object of the conference is to give a boost to negotiations on that convention, which have been in progress at the 40-nation UN Disarmament Conference in Geneva since 1979.

Mr Shevardnadze said in his speech that the Soviet Union "is prepared to do all that is possible and necessary for concluding the convention in 1989." A senior US official commented that such a timetable is "an enormous challenge," given that every line has to be agreed on by 40 countries.

Mr Shevardnadze said Moscow favoured "the most stringent international verification, including no-refusal on-site inspection," which has been a major Western objective in the Geneva talks.

Mr Shultz commented that "on-demand, on-site inspection is a principle, but translating that principle into written procedure that people can agree to is difficult." He added: "We learned that in the INF negotiations, but we also learned that it can be done."

He had shown his Soviet colleague some of the US evidence for the existence of a chemical weapons factory in Libya and given him the US version of Wednesday's shooting down of two Libyan aircraft. Mr Shevardnadze, according to Mr Shultz, had "said he'd look into" the matter of the factory.

Earlier the Iraqi foreign minister, Mr Tareq Aziz, had joined a number of his Arab colleagues in asserting that "any comprehensive ban on chemical weapons must be coupled with a parallel and similar call for a comprehensive ban on nuclear weapons," and warned that "Iraq, like any other sovereign state, cannot commit itself to agreements in the drafting of which it is not allowed to participate."

Mr Shultz said that while it was correct to say that there is at present no prohibition against holding chemical weapons, but only against using them, "such a statement from a country that has recently used them leaves you concerned."

Mr William Waldegrave, minister of state in the British Foreign Office, is to address the conference today. Some disappointment has been expressed that Britain alone among major countries is not represented at foreign minister level. Sir Geoffrey Howe, the UK Foreign Secretary, is on a tour of Arab Gulf states.

Some 145 nations are taking part, of whom 129 are already parties to the 1925 Geneva protocol banning the use of chemical weapons.

According to US sources, the Soviet plant for destroying chemical weapons is at Chapayevsk, close to the Urals. The prototype US plant is at Tooelle, Utah, but another one for mass destruction is nearly finished on Johnston Island in the Pacific.

The US admits to having resumed production of chemical weapons in 1987, after an 18-year moratorium, whereas the Soviet Union claims to have stopped production in 1987, when it for the first time admitted to possessing such weapons.

Mr Shevardnadze also said yesterday that the Soviet Union "does not have chemical weapons outside its national territory" and "has never transferred those weapons to any other state."

The latter statement is regarded with great scepticism by Western sources, but Mr Shultz said diplomatically that he would take it "in terms of a pledge" for the future.

Background, Page 2

Gorbachev firm on reforms

By Quentin Peel in Moscow

MR Mikhail Gorbachev, facing a clamour of domestic criticism over his economic and political reforms, has taken the offensive with a sweeping denunciation both of conservative demands for "firm leadership" and of radical appeals for a multi-party democracy.

In a remarkably candid speech, the Soviet leader admitted the continuing crisis in the economy, the need for further drastic cuts in state spending – including defence spending – and the existence of a furious debate on the reforms, even within the top ranks of the ruling party.

Mr Gorbachev insisted again that economic reform would be impossible without wholesale political reform, led by the restructuring of the Communist Party.

"Nothing will happen in the economic and social sphere, if we do not simultaneously and decisively solve the tasks of profound reform of our political system," he said.

His speech was delivered on Friday to top Soviet intellectuals and Kremlin technocrats, his most loyal constituency. Its publication in yesterday's Pravda comes just two days before a plenary meeting of the central committee, summoned ostensibly to choose Communist Party candidates for the new super-parliament, the Congress of People's Deputies, to be elected in March.

Mr Gorbachev sought to isolate opponents both to the left and the right, identifying the parameters of a furious debate.

"We cannot remain passive observers when, for instance, voices are raised claiming that perestroika leads to chaos, permissiveness – that perestroika represents a threat to our normal development, and that we have allegedly lost our war in our methods and means of dealing with it," he said.

Equally, he rejected those who claimed "the framework of socialism is too narrow for perestroika . . . who propagate the idea of political pluralism, a multi-party system, and even private property."

Continued on Page 16

US and Japanese chip makers face pressure to build in EC

By William Dawkins in Brussels

WIDE-RANGING rules on how integrated circuits should obtain free market access in the European Community are due to be adopted by the Brussels Commission within the next month.

They will put severe pressure on dominant US and Japanese chip producers to build plants in the EC which would make microcircuits for sale there from scratch, a move which will demand enormous investment.

Currently, most US and Japanese microelectronics companies merely assemble finished circuits in Europe from imported wafers. They prefer to perform the process of forming circuits on semiconductor wafers, known as diffusion, at their foreign headquarters. This is most sophisticated and costly part of chip-making and needs plant costing at least Y30bn ($2.4m), according to Japanese industry estimates.

The EC rules stipulate that diffusion – rather than just assembly – must take place in the Community if an integrated circuit is to get free circulation in the 12 states.

This is a victory for European electronics companies, which have lobbied the Commission for six years to launch this regulation. They think it could provide help in regaining market share taken by Japanese semiconductors, which are currently being investigated – in a separate move – for alleged EC dumping.

The scheme would end the present highly uncertain situation where no electronics company is sure what it has to do to obtain EC origin for chips. It would, for instance, help the growing number of European-based companies which are carrying out diffusion in the EC and exporting wafers for assembly to low-wage countries in South-East Asia, for subsequent resale in the West.

"The logical development will be the installation of diffusion processes by the major Japanese semiconductor companies in the EC . . . The capital involved will be tremendous," said Mr Takao Negishi, European Representative for the Japanese Electronics Industry Association.

The regulation was cleared by national customs experts before Christmas and now awaits translation into the EC's official languages and final adoption by the Brussels authorities before it can take legal effect.

Once adopted, it will be of great importance to companies supplying semiconductor components for products subject to bilateral quotas, such as Japanese televisions in France. It will also be critical for deciding the origin of EC-assembled electronics products, incorporating chips, subject to the local content criteria of the Commission's anti-dumping regulations.

World pays respects to Hirohito as 'Heisei' era commences

By Ian Rodger in Tokyo

TRIBUTES to Japan's Emperor Hirohito, who died on Saturday morning at the age of 87, have been arriving in Tokyo from around the world.

Many world leaders are expected to be among the 10,000 people attending the state funeral, set for February 24. However, representatives of the Japan Socialist Party, the largest opposition party in Japan, may not attend because of a controversy over the combining of state and religious funeral ceremonies.

Japan's postwar constitution, in an attempt to distance the country from wartime zealotry, stipulated a clear separation between church and state. Communist Party leaders have decided not to attend the funeral.

Upon Hirohito's death, his eldest son, Akihito, 55, succeeded to the Chrysanthemum throne and a new era, called Heisei, meaning achievement of peace, began yesterday.

Japan's public institutions are observing six days of official mourning, but a two-day period of private mourning ended yesterday and today all public and private offices and financial markets were to open.

Hirohito was Japan's longest living monarch, having ruled for more than 62 years. He was the only surviving World War Two leader and his international reputation never fully recovered from the controversy over his responsibility for his country's military aggression from the Manchurian incident in 1931 to the end of the war in 1945.

In Japan, however, he became highly respected for his role in leading the country back from the near total destruction caused by the war to its position today as an economic superpower. Since he fell gravely ill last September, Japan has kept a constant vigil, with more than 6m people paying their respects at the Imperial Palace and other state offices.

Perhaps because of the long illness, business proceeded more or less normally after his death. The Tokyo Stock Exchange suspended its Saturday morning session but most shops stayed open. The opening of the new year grand sumo tournament, scheduled for yesterday, was postponed until today. The emperor was an enthusiastic sumo fan.

Mr Sosuke Uno, the Foreign
Continued on Page 16

Japan's Imperial Succession: background, Page 4

Britain faces £7bn takeover fight for GEC

By Terry Dodsworth and David Waller in London


Sir John Cuckney: heading consortium bid

THE PROSPECT of one of Britain's largest and most bitterly fought takeover battles was looming last night when Barclays, the UK clearing bank, confirmed that it was leading a syndicate to assemble the finance for a £7bn ($12.5bn) offer for the General Electric Company.

Details of the proposed offer, announced by Lazards, the merchant bank, are expected to emerge later this week.

Barclays, however, indicated last night that it would be aiming to put together about £3.5bn of debt finance for the bid, which would be mounted by a number of large international industrial groups. Lazard has established a newly formed company, Metsun, to put together a proposal for the bid, under the chairmanship of Sir John Cuckney, the chairman of the Westland helicopter group and Royal Insurance.

The takeover proposal, the subject of a swirl of rumours in UK financial circles for the past few weeks, follows the combined bid by GEC and Siemens of West Germany for Plessey, the UK defence electronics and telecommunications group.

Since the Anglo-German consortium announced its offer six weeks ago, Plessey has talked to a number of international groups about collaboration in a counter-bid for GEC, a familiar defensive manoeuvre in US takeovers.

It seems likely that Plessey will now be joined in making a counter-offer for GEC by STC, the UK telecommunications and computer company, and Thomson, Europe's largest producer of defence electronics equipment. A number of other international companies, such as General Electric and American Telephone and Telegraph of the US, could become involved, raising the prospect of a highly politicised struggle over the issue of British high technology and defence assets falling into foreign hands.

Plessey refused to comment in detail yesterday on the proposed offer for GEC, saying that it would be continuing with its current defence plans.

Nevertheless, the company is clearly involved in the bid, which has been largely planned by Lazard, the merchant bank in charge of its defence. At the same time, analysts believe that a consortium bidding for GEC would have to come to an understanding with Plessey because of its joint venture agreement with GEC in the GPT telecommunications group.

Although none of the potential members of the bidding consortium has yet signed a formal agreement, Lazard is aiming to come out with a statement later this week. This would mean that a bid would be on the table before the Office of Fair Trading gives its advice on the GEC-Siemens bid for Plessey at the end of the week.

The timing of the announcement has led to suggestions that Plessey may be attempting to drive the authorities into a position where the deal has to be referred to the Monopolies and Merger Commission. The MMC was largely responsible for scuppering the last GEC takeover offer for Plessey, which was defeated two years ago.

Most of the companies involved in the talks were playing their cards close to their chests yesterday, although Lord Keith, chairman of STC, hinted that developments could be expected.

"STC is not at the moment part of any consortium," he said, "but what could happen during the course of the week I am not prepared to forecast."

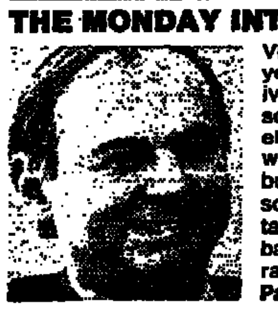
Thomson officials were not available for comment.

One immediate effect of the Lazard statement was the resignation of Lord Prior, GEC's chairman, from the Barclays Board, where he has been a director for two years, as well as the withdrawal of GEC funds from the Bank.

Manning for battle, Page 14; UK cabinet braced, Page 16

CONTENTS

THE MONDAY INTERVIEW



Vittorio Cassoni, 46-year-old chief executive of Olivetti, is something of a chameleon. He looks like a well-tailored Italian businessman but sounds like a fast-talking player of hardball in the US corporate world.
Page 36

OVERSEAS NEWS

Third World spurns ban on spread of chemical arms

By **Edward Mortimer** in Paris

"CHEMICAL weapons proliferation is *not* an issue between the developed and developing world."

If anything has become clear in the first two days of the Paris conference on chemical weapons it is that the perception voiced by Mr George Shultz, US Secretary of State, *is not shared by many of the* participating Third World governments, and especially not by those fom the Middle East.

The first day, Saturday, was enlivened by a vigorous if predictable exchange between Iran and Iraq. Mr Ali Akbar Velayati, the Iranian Foreign Minister, asserted in his speech that the conference would not be happening but for the use of chemical weapons against his country by Iraq over the last five years, and suggested that this fact should be recorded for posterity in the conference's concluding political statement.

The Iraqi delegate, without waiting for his own Foreign Minister's speech, scheduled for today, demanded an immediate right of reply, to assert that Iran too had used chemical weapons, pointing out that the UN Security Council had urged both sides to refrain from doing so.

But on one point Mr Velayati and the various Arab speakers were in agreement: that (in his words) "the developing countries do not have a good memory of the Nuclear Non-Proliferation Treaty, and therefore initiatives should not be directed towards another NPT or even the injection of this idea".

While foreign ministers succeed each other at the Conference podium, the text of the proposed political statement is being discussed behind closed doors in a "plenary committee" chaired by Mr Kalevi Sorsa, the Finnish Foreign Minister. The statement has to be adopted by consensus, and it already seems very likely that Arab and Third World delegates will insist on excluding any reference to non-proliferation.

Their argument is, in substance, that they have already been had once when they agreed to sign the 1968 nuclear NPT, which Israel for its part has not signed. They say that they cannot now be expected to renounce the right to defend themselves with chemical weapons as well – certainly not unless the ban is made global and comprehensive and possible not unless the great powers commit themselves to global nuclear disarmament as well.

The latter demand will certainly be resisted by the US, Britain and France; so that if Arab countries hold out for its inclusion, it may even prove impossible to agree on any concluding statement at all.

Shultz exchanges papers with Shevardnadze yesterday

Bonn to investigate US claims of help for Tripoli

By **David Goodhart** in Bonn

THE West German Government will send a delegation of experts to Washington this week to examine US evidence that German companies have, directly or indirectly, aided the construction of the alleged Libyan chemical weapons plant at Rabta.

The announcement, made on *the fringes of* the international conference on chemical weapons in Paris at the weekend, is an attempt by both countries to soothe last week's tension between Bonn and Washington over the supposed role of German companies.

The German Government feels victimised by an emotional press campaign in the US and believes that the US Government has been making assumptions of guilt about companies without providing proper evidence.

Yesterday Mr Helmut Kohl, the West German Chancellor, said it would be quite unacceptable for West Germans to be involved in projects that endanger peace and added: "I would be the first, and our American friends know this, to react with all the power at the state's disposal but only when individual allegations are proven."

However, some officials in Bonn believe that underlying the argument over Rabta is a different attitude towards the use of any kind of trade as a weapon in international relations, with Bonn generally opposing sanctions.

Libya fails to impress its good intentions on the world press

Tony Walker descibes a farcical and counter-productive exercise in public relations

THIS is a story about a bus ride to. . . nowhere.

A Libyan attempt to persuade foreign journalists that a controversial pharmaceutical factory under construction near Tripoli was not designed to produce chemical weapons ended in farce at the weekend when a promised visit to the plant did not materialise.

About 200 correspondents, television crews and photographers were loaded into buses late on Saturday for a visit to the factory, located south-west of Tripoli, but in the end Libyan officials reneged on promises to allow reporters to inspect the plant.

In gathering darkness, the buses stopped within half a kilometre of the factory while Dr Ali Ibrahim – introduced as its director – gave a chaotic press briefing in which he denied US allegations that the plant was designed to produce toxic materials for aggressive use.

After further promises that a closer look at the plant would be permitted, reporters were herded back on their buses which set off for Tripoli by a slow and circuitous route. For Libya, it was a public relations disaster and merely served to heighten suspicions that it was lying about the true purpose of the plant.

In a region where crude attempts to manipulate the Western press are an occupational hazard, Libya had excelled itself. In a long weekend of time-wasting and filibustering Libyan officials had kept journalists trapped for hours in the lobby of their hotel with promises of a visit to the half-finished plant.

In the end, all we got was a distant and murky view of a concrete and glass structure guarded by missile batteries. Dr Ali Ibrahim read a prepared statement and then refused to answer questions.

If Libya had deliberately set out to fuel suspicions about the purposes of the plant instead of seeking, as it was, to counter the US allegations, it could hardly have done better.

Incredulous reporters returned to their hotel to be told they were being thrown out of the country that night and would be transported to Malta on special Libyan airlines flights. The instruction was subsequently withdrawn without explanation.

Earlier in the day, Colonel Muammer Gadaffi, the Libyan leader, had paid a surprise visit to the al-Kabir hotel where foreign reporters were housed. The colonel drove himself to the entrance of the hotel in a white Peugeot 505

As television crews jostled for space around the Libyan leader he paraded through the foyer of the hotel for about 20 minutes. He gave an impromptu press conference and then left the hotel, driving himself through the Tripoli traffic pursued by anxious-looking security personnel in an assortment of cars.

It was not immediately clear why he had chosen to address the Western media under such circumstances. But his eccentric approach to dealing with the Western press was entirely characteristic.

Col Gadaffi was dressed in a mixture of Berber and Bedouin clothing, including a traditional black "pillbox" hat, embroidered waistcoat and flowing brown woollen cloak. He appeared in good spirits in contrast to his subdued manner after the US sought in April, 1986 to eliminate him by bombing his barracks.

Soviet studies start into reprocessing weapons

By **Quentin Peel** in Moscow

SOVIET scientists have already embarked on studies both on reprocessing the country's chemical weapons stockpile into usable products, and on converting chemical weapons plants to peaceful uses, a top science administrator said last week.

Academician Oleg Nefyodov, vice-president of the Academy of Sciences, and head of its chemical sciences divisions, said they were still searching for the "most effective and cheap method of processing existing highly toxic chemicals" which would "rule out even the slightest danger for people, the natural environment, flora and fauna".

He told the official news agency Tass that biologically active substances, monomers and tetracycline products could be obtained from the weapons. They could be used in agriculture, and in the manufacture of polymers.

He said the first obvious use for the existing chemical weapons' plants was to render harmless or reprocess their former products. "Tough safety standards used in the production of highly toxic agents brought about the development of automated production processes," he said, "as well as the introduction of remote control over those processes and highly reliable equipment.

Better UK-Iran ties hinge on hostages

BRITAIN told Iran yesterday that their relations would not improve until three British hostages held in Lebanon were freed, Reuter reports.

Mr William Waldegrave, Foreign Office Minister, made the point on BBC radio before talks with Mr Ali Akbar Velayati, Iranian Foreign Minister, in Paris today about the hostages – Mr Terry Waite, Church of England envoy, Mr Brian Keenan, a teacher, and Mr John McCarthy, a journalist, who are among several Westerners held in Lebanon.

"We are not seeing so much movement on the hostages, where we still do believe the Iranians have some influence," Mr Waldegrave said. "We know there are a number of different factions in the Iranian Government, but we think there are serious and important people in Iran who would like to see the hostage situation settled and out of the way.

"We will be emphasising that, until that happens, there can be no hope of warm relations between our two countries because the British people would not stand for it," Mr Waldegrave said.

He welcomed Iran's release last month of Mr Nicholas Nicola, a Briton jailed in Tehran for two years after an alleged shooting incident on the Iranian-Pakistani border. He said he hoped for the early release of Mr Roger Cooper, a second Briton, arrested three years ago for alleged spying.

Britain and Iran in effect cut off bilateral relations in a series of expulsions of diplomats in 1987, but these links were fully restored last November.

Moscow welcomes Vietnam pull-out

The Soviet Union welcomed on Saturday the announcement by Phnom Penh that Vietnamese troops would be withdrawn from Kampuchea by September, if an end to the 10-year guerrilla war were negotiated, Reuter writes from Moscow.

"The Soviet Union welcomes and fully supports the new important move of Kampuchea and Vietnam, which accords with the leading trend in the modern world development of solving regional conflicts politically," the Soviet Foreign Ministry said.

Italian strike call strains relations within coalition

By **John Wyles** in Rome

THE Italian Government's deteriorating relations with the trade unions, symbolised by a call at the weekend for a four-hour general strike on January 31, have opened a deep rift within the ranks of the five-party coalition headed by Mr Ciriaco de Mita.

After four months of relative tranquillity, the crucial political alliance between Mr de Mita, the Christian Democrat party leader, and his Socialist Party counterpart Mr Bettino Craxi, has been put under strain by a determined union attack on the Government's fiscal policy.

This came to a head at the weekend when the three union confederations – the CGIL, the CISL and the UIL – called a general stoppage for January 31 in protest at the Government's failure to enact its commitment to adjust tax bands to compensate for fiscal drag from January 1 last year.

The decision was taken on the same day that Mr Craxi's spokesman, Mr Ugo Intini, published a harsh warning of a possible crisis in the coalition unless the Government reached accomodation with the unions. His article, in the Socialist newspaper Avanti, is seen as a move by Mr Craxi to prevent the opposition Communist Party from gaining politically by a union campaign which has strong support among directly employed workers.

Even so, it is proving deeply embarrassing to the two senior socialists in Mr de Mita's government – Mr Gianni de Michelis, Deputy Prime Minister, and Mr Giuliano Amato, TreasuryMinister.

As one of the architects of the Government's budgetary policy, Mr Amato is being weakened by the Government's failure to achieve its budget deficit targets. The 1988 deficit now looks likely to have been about L125,000bn (£52.9bn) instead of the L117,000bn most recently targeted, while the 1989 objective of L117,300bn already looks unattainable on the basis of the budgetary measures so far adopted.

The Government had hoped to avoid a clash with the unions over fiscal policy by its decision significantly to reduce direct tax rates this year and to address fiscal drag in its next budget. However, the unions are insisting that promises on fiscal drag are not enough and that a decree-law should be passed immediately. They are also unhappy about an effective amnesty for the self-employed and small businesses whose past tax evasions will be forgiven in return for single payments which it is hoped will raise L11,500bn.

Mr Amato has said that the Government cannot legislate for fiscal drag until it has found revenue to cover the expected cost of the measure, about L2bn to L2,500bn. The Government seems likely to give way on this.

Sweden breaks long budget deficit run

By **Robert Taylor** in Stockholm

SWEDEN'S budget for 1989 will show a small surplus of income over expenditure totalling around Skr 423m (£38.3m), *according to* a detailed leak of its contents yesterday in the Social Democratic newspaper Aftonbladet. It is to be presented to Parliament tomorrow.

This is the first time in 27 years that the Swedish Government has managed to achieve a balanced budget. But Mr Kjell-Olof Feldt, the Finance Minister, can expect to face some criticism from within the ruling Social Democrats for his determination to keep a tight *control on the level of* government spending, particularly on wage increases in the public sector.

A controversial proposal in the budget is to cut spending on education in real terms by Skr 170m. This will mean fewer teachers and more children being taught in crowded classrooms, although in last September's general election campaign the Social Democrats promised to make substantial *improvements to the quality* of Swedish education.

However, Mr Feldt's budget will provide real increases in government expenditure in other areas. Families with babies will be the main beneficiaries this year with a promised extension of state-supported leave from work for either parent from the present 12 to 15 months. The promise is to enable the father or the mother to have up to 18 months' paid time off from work to look after their newly-born child by 1991.

All young people aged 18 and 19 years are to be given a job guarantee of eight hours' paid work a day. With unemployment running at only about 1.8 per cent of the labour force, the Government is now in a position to ensure that no young person in Sweden need be without a real job.

The police can also expect a real increase in their budget this year of an extra Skr 357m, which will enable them to increase the number of police. An extra Skr 330m is to be spent on the prison service this year.

A further Skr 330m is to be provided for environmental protection, particularly for Sweden's forests and the total *budget in that sector is* expected to be Skr 1.9bn. Sweden's aid to poorer countries is to go up by an extra Skr 12m to Skr 1.3bn, which amounts to 1 per cent of the country's gross domestic product.

Optimism on arms talks delay

By **Judy Dempsey** in Vienna

NATO and Warsaw Pact countries, under pressure to agree on a mandate for starting new negotiations in order to reduce their conventional arms, were delayed yesterday by a dispute between Greece and Turkey over what parts of the latter should be excluded from any such reductions.

Even so, western diplomats remained cautiously optimistic that the mandate will be ready today.

It is understood that Greece wants the Turkish port of Mersin, a main supply base for northern Cyprus which is closely associated with Ankara, to be included in any reductions. Turkey has strongly and consistently opposed such a limitation on its operations in the eastern Mediterranean.

Diplomats said any further delay in the mandate could radically upset the proposed timetable for ending the all-European Conference on Security and Cooperation (CSCE) talks in Vienna.

The 35-government talks – which include Canada, the US and all European countries except Albania – were to be formally closed between January 17-19 by the respective foreign ministers.

However, they cannot end until the mandate, which has to be incorporated into the final CSCE document, is ready.

Spain 'will focus on push for EC monetary union'

SPAIN'S six-month presidency of the European Community, which began on January 1, would focus on pushing for a monetary union of the 12 members, Mr Jacques Delors, European Commission President, said at the weekend.

He expressed doubt about *quick progress, AP reports* from Madrid.

At a news conference with Mr Felipe Gonzalez, Spain's Prime Minister, Mr Delors said that, rather than achieving a monetary union accord, Madrid was more likely "to initiate orderly discussion to see if the political will exists to reach such an economic and monetary union".

The European currency unit already exists, but some countries, such as Britain and West Germany, resist the idea of a single currency for use by all members and an EEC central bank system to manage monetary policy.

"Such a union would mean greater EEC competitiveness, prosperity and job creation," Mr Delors said.

Mr Gonzalez said another high objective of the Spanish presidency objective was to develop EEC diplomatic initiatives in the Middle East.

He noted other Spanish goals included pressing for agreement on a policy of harmonised direct taxes among EC members and resolving the US-EEC trade war.

Mr Delors seriously doubted the possibility of advances on harmonising tax policies, saying studies forecast "no possible agreement".

The US-EC trade war began on January 1 with US duty rises on some EC products in reprisal for an EC ban on imports of US meat treated with growth hormones. The EC plans counter-measures.

West German export of capital 'set to treble'

By **David Goodhart** in Bonn

WEST German export of capital in 1988 will reach nearly three times the figure for 1987, according to the Bundesbank. Net capital exports for the first eleven months of 1988 came to DM99bn (£30.9bn) against DM36bn over the same period in 1987.

An upward trend in capital exports is no surprise in a country with such a large current account surplus and relatively low domestic investment. But it was given a boost in 1988 by the news that an investment income withholding tax would be imposed

According to economists, the trend in capital exports is shifting from short-term lending by banks to longer-term transactions by individuals and, to a lesser extent, companies.

Long-term capital exports rose from DM14bn in the first 11 months of 1987 to DM74bn in the first 11 months of 1988. Short-term exports over the same period rose only from DM22bn to DM24bn.

ANC to dismantle camps in Angola

The African National Congress said yesterday it planned to dismantle guerrilla camps in Angola to support peace accords aimed to end the conflicts in Namibia and Angola, Reuter reports.

Cuba, South Africa and Angola signed agreements in New York last month binding South Africa to give independence to Namibia and providing for a phased withdrawal of 50,000 Cuban troops from Angola.

Swiss foreign assets reach Sfr572.7bn

Switzerland's assets abroad rose to a record Sfr 572.7bn (£212bn) in 1987, according to figures from the Swiss National Bank, John Wicks reports from Zurich.

This was higher by 3.3 per cent than the value for the previous year, despite the weak dollar and the stock market fall of October 1987. At the same time, foreign liabilities fell at almost exactly the same rate to Sfr 329.3bn, leading to a 13.7 per cent increase in the country's net foreign assets to Sfr 243.4bn.

Budapest brings in price increases

Hungary announced a range of big price rises yesterday, despite warnings from trade unions that such increases would be unacceptable, Reuter writes from Budpest.

Local radio quoted Mr Bela Szikszay, National Price Office chairman, as saying average food prices would increase by up to 17 per cent and cars would cost 24 per cent more from Monday. Public transport fares would jump by 60 to 80 per cent from February.

S Korea plans laws to enhance rights

By **Maggie Ford** in Seoul

A BIG revision of the criminal law is planned by the South Korean Justice Ministry in an effort to remove offences which have been used for political repression and to enhance the rights of suspects.

Under the revised code, which will be submitted to the cabinet and the National Assembly this year, certain criminal offences would be dropped and penalties for others strengthened.

Police or other officials who used violence to extract confessions, used electronic surveillance or illegal searches without warrants, would be subject to penalties. Suspects' families would have to be notified by police of an arrest.

The crime of "slandering the state to a foreigner" – long used to prevent criticism of the regime, especially in the foreign press – would be abolished.

The ministry also plans to modernise a criminal code which is socially out of date. Adultery, now a criminal offence, would become legal, but the present light punishment given to other sexual offenders would be increased, especially for rapists. Breach of promise of marriage would no longer be illegal.

Many offences are committed in South Korea without prosecution but observers believe the laws that prohibit them have remained on the books partly because they have provided means of social control for the authorities .

The ministry is also likely to draw up new laws on computer crime, industrial pollution and theft of company information. The scope of the death penalty is likely to be drastically reduced.

Many South Korean motorists will welcome a proposed change to make the taking away of a motor vehicle, whether or not to commit a crime, an offence.

Palestinian death toll climbs to 350

By **Andrew Whitley** in Jerusalem

TWO Palestinians died in confused circumstances over the weekend, raising the death toll to 350 for the past 13 months. At least 27 others were reported injured by army gunfire in separate incidents scattered across the Israeli-occupied territories.

Amid the appearance of a number of contradictory leaflets in parts of the West Bank and Arab East Jerusalem, a general strike once again gripped the entire region. Shops closed, public transport halted and most Palestinian day-labourers in Israel stayed away from work.

A village leader was stabbed to death by masked youths in the village of Qubaybah, near Jerusalem, on Friday night. Originally thought to have been a collaborator, a leaflet distributed yesterday blaming "enemies of the Palestinian people" for his murder, cast doubts on the motives.

Another Palestinian, a municipal official, was stabbed in his hospital bed yesterday. He survived the attack.

A villager from Kufr Idik, in the West Bank, died on Saturday from tear gas inhalation.

Some of the latest guidance leaflets vehemently oppose the "two-state" solution for the conflict, now being advocated by Mr Yassir Arafat, the Palestine Liberation Organisation chief.

But questions have been raised over their authenticity – feeding suspicions that the security forces themselves may be responsible.

False leaflets believed to have been put out by the psychological warfare unit of the Israeli Army, to create confusion and deepen divisions among residents of the territories, have been frequently discovered in the past in towns such as Bethlehem and Ramallah.

A new group calling itself "The United National Front in Occupied Palestine" announced its existence late last week, in open opposition to the leadership of Mr Arafat.

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OVERSEAS NEWS

Moscow 'asking Seoul to build merchant ships'

By Maggie Ford in Seoul

HYUNDAI, the South Korean group, is reported to be negotiating a $270m (£150.8m) order for nine ships from the Soviet Union, and is studying the possibility of building an oil pipeline to link Siberia to North and South Korea.

According to the Trade and Industry Ministry in Seoul, Moscow has asked Hyundai Heavy Industries, the shipbuilding subsidiary, to build three oil tankers at $40m each and six bulk carriers at about $25m each.

South Korea's Export Import Bank is reported to be involved in the negotiations over payment for the ships, which may involve coal and timber barter.

Mr Chung Ju Yung, founder of Hyundai is visiting the Soviet Union and plans to go to North Korea this month. He will be the first South Korean businessman officially to travel to the North since the Korean war in the 1950s.

South Korean business is showing strong interest in the Soviet Union. Hyundai's Mipo dockyard has already repaired two Soviet ships and companies have been asked to bid on a $40m trade centre at Nahodka, near Vladivostok.

Meanwhile, an industrial dispute is still causing problems at Hyundai's shipyard, which was closed until last week after a strike in December.

Three union leaders have been arrested after they tried to force the resignation of the union president over his alleged "pro-management" attitudes. At the weekend support for a continued strike was growing.

Two other South Korean shipbuilding companies have recently been hit by strikes, including a small one owned by Samsung, South Korea's largest company. Samsung is expected to suffer more unrest as workers try to organise.

However, staff at the shipbuilding subsidiary of the Daewoo Group, which is technically bankrupt with debts of $3bn and hoping to finalise a government rescue plan, have been working normally.

Officials working out details of the rescue are expected to ask Daewoo to contribute more cash to save the subsidiary by selling other profitable parts of the business. Daewoo has offered to contribute Won 300bn ($440m), with the rest of the cash to come via a state-owned bank and other Government assistance.

Hyundai likely to decide today on EC levy appeal

By Kevin Brown, Transport Correspondent

HYUNDAI Merchant Marine, the South Korean shipping line, is expected to decide today whether to appeal to the European Court against the imposition of a 26 per cent penal levy on container traffic between the European Community and Australia.

The duty was imposed last week, when the EC Council of Ministers approved proposals put forward by the European Commission after an investigation of allegations by rival shipping lines that Hyundai was benefiting from unfair subsidies.

This is the first time the Community has imposed penal duties to combat unfair pricing in a service industry, and the first use of a two-year-old regulation against unfair price-cutting in the shipping industry.

Hyundai had said it was likely to appeal if a levy were imposed. The company has considered absorbing the levy or trying to find a way round it, possibly by setting up a subsidiary registered in the EC.

Hyundai has claimed it is being "held hostage" by the EC in an attempt to force changes in Korean law, and has accused the Commission of "an incomplete and incorrect investigation of facts".

The company has the strong support of European shippers' organisations (representing the customers of shipowners) which fear that increased transport costs will force some companies to leave the Australian market.

The British Shippers' Council, which has taken the lead in defending Hyundai to Commission officials, plans to send evidence on the effects of higher freight rates on UK companies to Lord Young, UK Trade and Industry Secretary.

However, the imposition of duties was greeted enthusiastically by the Australia Conference, which represents eight EC shipping companies operating in the Australia trade. Mr Alan Bott, chairman of the conference, and a director of P & O Containers, said the decision was "a victory for reasonable, economic freight levels".

Accounting plan upsets some multinationals

By Richard Waters

PROPOSALS aimed at making financial statements around the world more comparable are published today by the International Accounting Standards Committee.

Advance reports of the proposals, which cover a range of controversial accounting issues, have already drawn strong condemnation from some chief financial officers of multinationals who believe their companies would be adversely affected by the changes.

Most controversial is the suggestion that companies should normally write off goodwill (the difference between the price paid for a company and the value of the net assets acquired) against their profits over no more than five years.

This would hit reported profits of companies in most countries, notably in the UK, where goodwill does not have to be written off against profits at all. There would also be a significant impact on US companies, which are allowed to spread goodwill over 40 years.

The IASC hopes that in the long-term its standards will become the benchmark for domestic standards in the leading economies.

Towards the International Harmonisation of Financial Statements, IASC, 41 Kingsway, London, WC2B 6YU. Comments by: 30 September 1989.

SHIPPING REPORT

Tanker market picks up after holiday period

By Kevin Brown, Transport Correspondent

BROKERS said business in the tanker market was fairly good last week, after the Christmas and New Year holidays, and owners were said to be fairly optimistic, despite an easing in rates. Nerves were steadied by unexpected demand from Iranian principals, who took five very large crude carriers towards the end of the holiday period.

Reduced oil production quotas agreed by the Organisation of Petroleum Exporting Countries appeared to have had little effect so far, and demand in the consuming countries appeared strong enough to absorb all liftings, even at last week's price of around $16 per barrel.

Demand for long haul oil was further increased by a rogue storage vessel in the North Sea, which broke away from its moorings, causing a reduction of around 18 per cent in UK production.

Ships of around 280,000 tons deadweight were said to be being fixed from Iran to the West at around Worldscale 60 to 62.5 on the new basis, while similar cargoes from the Gulf to the Red Sea were being concluded at around Worldscale 82 on the old basis. A 260,000 tons relet was fixed at Worldscale 54 on the 1988 basis.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

	Dec. '88	Nov. '88	Oct. '88	Dec. '87	% change over previous year
W. Germany	123.2	123.0	122.7	121.3	+1.6
Japan	116.8	117.2	117.7	115.5	+1.2
Italy	227.7	227.0	225.2	215.8	+5.5

	Nov. '88	Oct. '88	Sept. '88	Nov. '87	% change over previous year
Netherlands	124.7	124.4	124.3	123.5	+1.0
Belgium	147.0	147.1	147.0	144.7	+1.6
UK	164.6	163.5	162.2	154.7	+6.4
USA	145.8	145.5	144.9	139.9	+4.2
France	173.7	173.5	173.1	168.7	+3.0

Source: Invesat (U) Forecaster

Merger policy talks please German cartel-busters

Andrew Fisher in Berlin considers effects of the single market on West Germany's anti-trust regulators

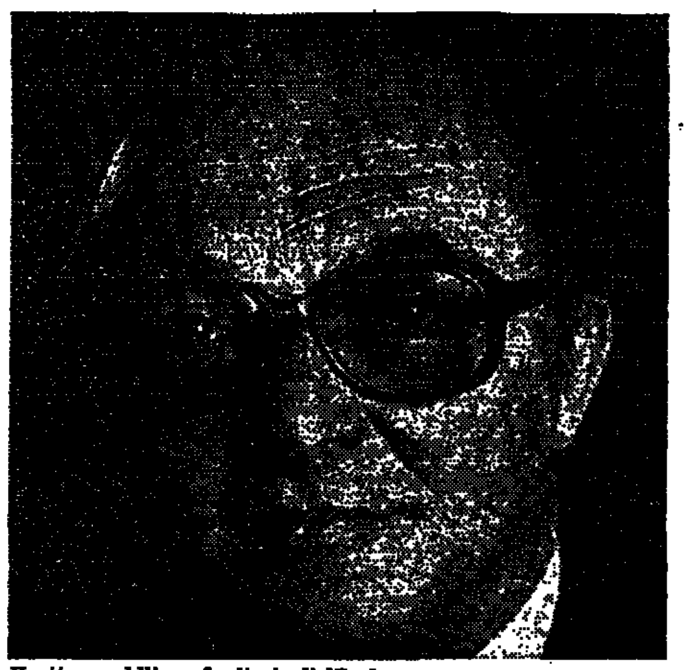
MR Wolfgang Kartte, the jovial 61-year-old president of West Germany's Federal Cartel Office, appears to be breathing a little more easily after the latest talks in Brussels on the European Community's cross-border merger controls.

Although the EC has been discussing Community-wide merger rules for years, the wave of acquisitions touched off by the move towards a single market by the end of 1992 has given the process fresh impetus.

Mr Kartte expresses optimism that a "clean solution" can at last be achieved for the problems of judging Europe's corporate marriages. He makes clear, however, that the cartel office, which administers Europe's toughest merger laws, had been unhappy with two key aspects of the draft discussed by EC ministers just before Christmas.

First, the Germans disliked what they saw as the muddling of competition and industrial policy criteria. Second, Mr Kartte does not believe the EC Commission would be in a position to handle the large number of cases flowing through its offices, if the threshold above which it was empowered to rule in advance on merger proposals were set too low.

However, he reckoned that the way was now set for progress along lines which would satisfy both the Berlin cartel experts and the Federal Economics Ministry in Bonn. "Britain and Germany want amalgamations. The first question the authorities must ask themselves is: Will competition be harmed through a merger, or will a dominant market position be created?"



Kartte: muddling of criteria disliked

Only when this question is settled – with a decision against which companies may appeal if they wish – should other aspects be considered, asserted Mr Kartte, who has been head of the cartel office for 12 years. These could include preservation of jobs, the issue of competition to be clearly in the foreground," he said, in his spacious office, the conversation punctuated every half-hour by the insistent notes of a cuckoo clock.

"This doesn't mean that both countries feel there should be no other aims when considering mergers. It would be silly to think that the world should only consist of competition. But that's not what we are saying. We are only saying we think that competition should be prominent when ruling on strengthening competition in certain sectors against the Japanese and others, or the securing of energy supplies. "These questions should be looked at in the second stage."

The cartel office has just begun to look at a case where wider issues – and the spectre of 1992 – inevitably overshadow the pure question of competition. This is the plan by Daimler-Benz, the diversified motor group, to take a 30 per cent stake in Messerschmitt-Bölkow-Blohm (MBB), the aerospace company. Under German law, the cartel office has four months in which to investigate the proposed deal, though this period may be extended.

Mr Kartte cautioned against the assumption that the cartel office is bound to overturn the deal on competition grounds, but will then be over-ruled by Bonn for reasons of industrial policy: "I can't say how the case will go." The cartel officials will look at the Daimler-MBB matter on a microeconomic basis. "Industrial policy implications are not part of our work."

However, Daimler and MBB are widely involved in markets outside Germany, inside and outside Europe. "We have to take these broader markets into account. If we are asking ourselves whether Daimler will have a dominant market role through the combination of AEG (its electrical and electronics subsidiary) and MBB, then we have to consider these markets."

The Government has been

1992 THE EUROPEAN MARKET

pushing hard for Daimler to move into MBB – accepting some tough financial conditions from Daimler as part of the price – so there seems little doubt that this will take place, whatever the arguments about competition.

In terms of size, the combination of Daimler and MBB would easily pass the threshold test under which mergers would be passed to the Commission in Brussels. Their joint turnover is about DM 80bn (£25bn). It is with the host of smaller acquisitions that Mr Kartte has seen problems. Both Germany and Britain want to draw the line at Ecu 10bn (£6.4bn) – well above the new level of Ecu 2bn to which the Commission has offered to double the threshold.

Other countries have also said they want a higher level. Mr Kartte said the argument was not a blocking move, but reflected real concern that the Commission would be unable to deal with the mass of merger work that too low a threshold would entail. He thought a level of Ecu 2bn would mean Brussels would have to study at least 100 deals a year, compared with only between 10 and 20 if the Ecu 10bn turnover figure is used.

The German cartel office employs 230 people, about twice the number in the Commission's anti-trust division at DG IV, its competition department, though more are being hired.

The member states have accepted that the Commission should have the ultimate right to decide on European mergers – which Mr Kartte saw as a tribute to the efforts of Mr Peter Sutherland, whose period as competition commissioner has just ended – so the height of the threshold is regarded as crucial in Germany if the job is to be done properly.

The crucial element is the zeal with which merger rules are enforced. Germany has Europe's toughest anti-trust laws, though these are not as stringent as those in the US. Mr Kartte would have liked to see a new EC anti-trust body set up, perhaps in Luxembourg, with officials drawn from all member countries. However, he is pleased that, as he put it, "the flag of merger control has been raised in Brussels."

While giving Mr Sutherland, an Irishman, credit for reviving and pushing a scheme that had been dormant for 15 years, Mr Kartte stressed that German agreement is dependent on its views on competition and the size of the threshold being met. In this, he has the strong support of Bonn, now with a new economics minister in the very competition-minded Mr Helmut Haussmann.

Tasmanian pulp mill in jeopardy

By Chris Sherwell in Sydney

A PROJECT for a A$1bn (£476m) paper and pulp mill planned for Tasmania has suddenly been placed in jeopardy by additional environmental guidelines imposed by the state government.

The mill, geared to the Japanese market and one of Australia's largest single manufacturing investments, received a green light from its two partners only last October, after 18 months of wrangling with the Tasmanian government.

But the two – North Broken Hill Peko, the Australian forestry and minerals group, and Noranda Forest, part of Canada's Noranda forests group – yesterday voiced dislike for "non-negotiable" guidelines announced by the Tasmanian government on Thursday.

The guidelines include stringent controls on the emission of potentially harmful organochlorine compounds, including the deadly chemical dioxin, and a requirement that the mill's effluent be subjected to tertiary treatment.

Local environmental groups are angry about the plant's location at Wesley Vale on the northern shore of the island, as well as about its potential emissions, and they remain critical of the project and of the Government's stand.

North, which has opposed any environmental safeguards that are not applied elsewhere, warned that the mill would not go ahead unless the latest guidelines were adjusted.

The company added that it would seek talks with the Government in the next few days.

According to the government, its guidelines would add about A$20m to the cost of the project and should be no surprise to the consortium, the matter having been discussed in depth. It said it still backed the project.

The setback is an embarrassment for the federal government. Mr Bob Hawke, the Prime Minister, has endorsed the scheme and his government has given assistance worth A$300m to get it started.

Fujitsu picks Dublin

Fujitsu, the Japanese electonics conglomerate, is to establish a plant near Dublin in the Irish Republic to manufacture computer printing components, writes Kieran Cooke in Dublin.

The I£20m (£16.6m) project will be partly funded by the Irish Industrial Development Authority. The plant will employ 500 people. Computer printer parts will be shipped for assembly to a Fujitsu plant in Malaga, Spain.

Malta telecoms deal

Fatme, a leading Italian telecommunications company, has beaten seven other bidders, including British Telecom, to a $27m deal to install a digital telephone system in Malta, Godfrey Grima reports from Valletta. Telemalta, the island's state telephone corporation, says the contract was part of an overhaul of Malta's' outdated telecommunications network.

EMPEROR AKIHITO

Globe-trotting envoy without portfolio

By Ian Rodger in Tokyo

EMPEROR Akihito, Japan's new head of state, is known mainly as a globe-trotting ambassador without portfolio for his country and as a strong weekend tennis player.

Now 55, he has waited a long time to ascend the Chrysanthemum Throne, and is the first to ascend it under the new constitution as a mortal symbol of the state, not a god.

He becomes emperor at a time when many people hope that the imperial household will evolve in the direction that many Japanese institutions are taking these days – towards more openness and informality, and his own views seem to point that way.

"Time does not stand still. The imperial family must keep pace with the times as well as the people," he said in a meeting with the Japanese press nearly a decade ago. However, it will be difficult for Akihito to achieve the strong historical and emotional ties that existed between Hirohito and his people.

The new emperor is known for an independent cast of mind, which many commentators attribute to his relatively liberal upbringing. He was born on December 23, 1933, amid the immense relief of the imperial court.

By then, the emperor and empress had had four daughters, and courtiers were suggesting that the emperor should take on a concubine to ensure the male line of succession. Hirohito refused.

Emperor Akihito tends to his first official duties

In the traditional imperial way, Akihito was immediately separated from his parents for three years, and then educated at a special peers' school (Gakushuin) in Tokyo, including preparation for university-level studies in political science and economics.

For many years, he had a private tutor in English, Elizabeth Gray Vining, a Philadelphia Quaker, who treated him as an ordinary child and called him "Jimmy". (He speaks English quite well.) Like his father, he studied marine biology, and has written scholarly papers on various species of fish.

In 1958, Akihito fell in love with Miss Michiko Shoda, the daughter of the president of Nisshin Flour Mills. After a brief but tense struggle with the advisers to the imperial household, he won their approval to break the long-established tradition that a prince should marry only within court circles.

The love that blossomed on the tennis courts of Karuizawa, the traditional summer retreat of Japan's establishment, the secret battles against the traditionalists in the Imperial Council and the wedding in April 1959 were stories that filled the newspapers and captivated public attention for weeks. Miss Shoda's high fashion sparked off a "Michie boom" among young people, and tennis suddenly became popular.

Akihito and the new empress, who is 54 and whose command of English is very good, went on to break other royal traditions, insisting on raising their children at home rather than have them brought up by servants and chamberlains, and sending their two sons to university in England.

Prince Aya, their second son, who is 23, is now at Oxford. The new crown-prince, Hiro, their first son, is now 28 and was there from 1983 to 1985. The couple also have a daughter, Princess Nori, who is 19.

In an editorial yesterday, the Asahi Shimbun daily newspaper held out high hopes for the new emperor: "He sometimes says he felt peace of mind for the first time after his marriage. Some Japanese say that he is too Western or too homey or lacks charisma. However, the Showa era (Hirohito's reign) shows that it is dangerous to separate the imperial family from the people by treating him as a god."

Japan exonerates Hirohito for World War

By Ian Rodger

WHATEVER foreign commentators may think of Emperor Hirohito, the Japanese tributes to him have been almost universally laudatory, exonerating him from responsibility for the country's military aggression – from the Manchurian Incident in 1931 to the end of World War II in 1945.

Mr Noboru Takeshita, the Prime Minister, set the tone with a tribute shortly after the emperor's death on Saturday morning. He acknowledged that the Showa era (Hirohito's reign) was "eventful and turbulent", beginning with the Great Depression and "the calamities of that deplorable war". However, Mr Takeshita claimed that, throughout these developments, the late emperor ardently wished for world peace and the well-being of the people.

"He resolutely brought to an end the war that had broken out in spite of his wishes, out of a determination to prevent further suffering of the people, regardless of the consequences to his own person".

TV documentaries passed over the war years briefly, claiming the military "interfered" in the government's affairs. They emphasised the emperor's role in lifting public morale in the immediate post-war period.

Newspaper editorials have been in similar vein, some even avoiding the issue of the war. For the Mainichi daily, the important point was that, after Japan's surrender, the emperor renounced his divinity, thereby preserving the emperor system as a much-loved symbol of the people.

The fact that he had offered selflessly to accept full responsibility for the war showed his sterling qualities. "What His Majesty truly sought, above all, was peace."

The Yomiuri, Japan's largest newspaper, acknowledged there were questions about the emperor's responsibility for the war, but "responsibility must be argued within the pre-war national and imperial systems". The emperor was a figurehead with no power to influence government policy.

The Asahi Shimbun, generally considered the most liberal of Japan's national newspapers, decided to discard the war issue. "Many people are still concerned with the question of responsibility for the war, but we think this concern will decrease gradually because of the change of era."

The paper went on to hope that the new emperor, as a result of his extensive world travels and less formal family life, would advance the causes of pacifism and international co-operation.

Most accounts portrayed Hirohito as an unfortunate victim, who suffered great pain as a result of the war. "His life was full of agony," the Nihon Keizai Shimbun, the leading business newspaper, said. The cabinet decision to enter the war was "an unlucky time for the emperor as well as the people".

Heisei Era

平

成

The characters "Peace" and "Achieve" that form the name Heisei, symbol of the new era

New name expresses 'spirit of the age'

By Ian Rodger

THE NEW era of Emperor Akihito of Japan began yesterday under the name "Heisei". The word is formed from two Chinese characters which can mean literally "peace" and "to achieve".

By tradition, Japan uses an imperial era calendar as well as the Western Gregorian calendar. By law, all government documents must carry the imperial calendar date.

The imperial calendar uses the same months as the Western one, but years are counted from the year in which an emperor accedes to the Chrysanthemum Throne. Until yesterday, this year was Showa 64. Now it is Heisei 1.

Each era is given a name given which is intended to express the spirit of the age. Emperor Hirohito's era was called Showa, meaning "Enlightened Peace", although for the first third of his reign there was little evidence of it.

The main criteria for selection of the name were that it be easy to say, read and write, and convey a suitable sentiment.

Curiosity more than grief draws people to scene of mourning

By Patti Waldmeir and Robert Thomson in Tokyo

ON the vast gravel plaza outside Tokyo's Imperial Palace on Saturday knelt a stooped figure whose flowing white hair and beard seemed almost a caricature of oriental antiquity.

The 92-year-old man's grief for the late Emperor Hirohito was palpable. However, he was very exceptional among the many thousands drawn to this focus of Japanese mourning more by curiosity than by sadness.

Bent over the condolence books provided by the imperial household, mourners composed careful characters with calligraphic brushes to mark their respect for the emperor's passing. Squads of television camera crews did manage to solicit the occasional display of open grief but tears were rare among the thousands who queued quietly before the low marquees provided.

Shoulders faintly rounded and heads slightly bent, with overcoats removed out of respect for the dead, the old and the young shuffled forward, self-consciously assuming a posture of mourning, to take their turn with the pen.

Then, after a bow and a quick prayer, minks and raincoats were hurriedly donned and the erstwhile mourners were off towards underground rail stations and taxi ranks, and the still bright lights of the big city.

Life in Japan has seemed to carry on almost normally since the emperor's death early on Saturday morning. In general, shops have remained open and people have gone about their business as if nothing had happened. "I see no reason to close," a small ironmonger in central Tokyo said on Saturday. "It was not a surprise that he died. We have been waiting a long time."

Public institutions and the large commercial banks stood out for their displays of mourning. Buses carried crossed mourning flags on their grilles and banks withdrew all publicity posters from their windows and branches. Shop assistants in the large department stores wore black clothing or black and white rosettes.

The only remarkable difference was that it seemed to be quiet everywhere. Following a government request, most shops stopped blaring lively music, sometimes putting low-volume dirges in its place, the railways minimised their announcements, and discos in Tokyo's fashionable Roppongi district closed.

As Saturday advanced, more and more shops hung out Japanese flags with the traditional black ribbon tied to the top of the pole.

However, it would probably be wrong to conclude that this atmosphere demonstrated indifference to the emperor among the Japanese people. More than 270,000 people visited the Imperial Palace on Saturday to pay their respects and a larger number did so yesterday, despite raw cold and persistent rain.

Extreme right-wing organisations, some of which would like to see the emperor's divine status restored, were out on the streets with their noisy loudspeaker trucks first thing on Saturday morning, but soon disappeared as police set up road blocks around the Imperial and Akasaka palaces.

An anti-emperor group of about 100 people managed to stage a demonstration in Shibuya, Tokyo, calling for an end to the imperial system.

Ceremonies may take two years

By Ian Rodger

THE death of Emperor Hirohito has set in train an elaborate sequence of transitional ceremonies which may not end until November, 1990. Then, according to Shinto tradition, a ritual meal with the mythical imperial ancestress will complete the accession of the new emperor.

However, since the last imperial transition in 1926, Japan has adopted a constitution which stipulates a clear separation of religion and state.

Thus, there is some uncertainty about how many of the traditional ceremonies will take place and about the government's involvement in many of those that do go ahead in private.

There may even be controversy over the private ceremonies, since all of the Imperial Household's funds come from the Government.

The emperor's state funeral will take place on February 24 – 48 days after his death, which is in line with tradition.

Hirohito will be buried at the Imperial Mausoleum at Hachioji, west of Tokyo. However, the name of the ceremony has been changed, reflecting the fact that it is no longer a purely religious event.

There will be then imperial household ceremonies for the dead emperor that will continue until the commemoration of the first anniversary of the death, when the household's official mourning period will end.

Once the mourning is over, the way will be clear for the enthronement of the new emperor and the investiture of his elder son, Prince Hiro, as crown prince. A Foreign Ministry official said yesterday that details of the enthronement ceremony would be decided "in due course".

In pre-war Japan, when the state and the Shinto religion were one, preparations would begin for the Daijosai, the first ritual in which the new emperor communes with Amaterasu Omikami, the imperial ancestress.

They share a meal of the first harvested rice of the year, specially grown in different parts of the country in preparation for this ritual. According to myth, the emperor-to-be lies with the goddess, enters her womb and re-emerges as emperor.

The Daijosai has become the focus of extreme right-wingers' demands that the emperor be restored to his divine status. It is also the focus of opponents of the imperial system who want it abolished or, at least, the withdrawal of Government finance from its religious events.

Reaction muted in South Korea

IN South Korea, which suffered 35 years of harsh colonial rule by Japan during Emperor Hirohito's reign, reaction was muted, writes Maggie Ford in Seoul.

President Roh Tae Woo sent a condolence message to the newEmperor Akihito, and Mr Kim Young Sam, a senior opposition leader, postponed a planned visit to Japan.

Most political parties said Koreans had mixed feelings about the emperor's death because of the two countries' history. It was too soon to forget what one newspaper described as a "nightmarish experience".

The leaders of several patriotic organisations which fought for independence from Japan before 1945 said the Tokyo Government had still not apologised for Japan's actions in Korea. They hoped the death of Hirohito would signal a new attitude.

Analysts discount effect of Hirohito death on markets

By Patti Waldmeir

NEARLY four months ago, when Emperor Hirohito entered what was to be his fatal illness, some brokers thought the Tokyo markets might close for as much as a week to mark the passing of the Showa era (Hirohito's reign).

Soon they had that whittled down to a day or two. In the event, Tokyo securities markets closed only for the brief Saturday morning session after the emperor's death.

Analysts' assumptions about the medium-term impact of the event on trading have been similarly adjusted over time. Many now assume that the exchange will be back to business as usual by the middle of this week, and the rest seem to think that the end of the week will be the outside limit of the market's deference – though they believe trading volumes could remain depressed for some while after that.

"The death of the emperor is not a fundamental factor for the market," said Mr Norio Watanabe, chief portfolio manager for Crédit Suisse in Tokyo. "After a couple of days, it will wish to show a suitable welcome to the new emperor."

Some analysts had been concerned at the impact on economic growth if businesses were closed for extended periods afterthe demise, but these fears must have been allayed.

For Japan's pulp and paper and printing industries, the bereavement could prove a windfall. Many contracts, calendars, diaries and identity cards will need to be reprinted with the name of the new era – a fact not lost on investors who bought such stocks aggressively as the emperor's condition worsened last week.

Mint to issue new era coins in mid-May

THE JAPANESE Finance Ministry's mint bureau will start to make coins showing Heisei, the name of the new imperial era, next month, ministry officials said at the weekend, Ian Rodger writes.

They will be issued in mid-May.

This seems to kill speculation that the Government might redenominate the yen after the end of the Showa (Hirohito) era.

The yen is a very light currency, one being worth less than 0.5 pence.

This means sums in official and corporate accounts quickly run into billions and trillions. Japanese officials have hinted from time to time that re-demonination would help raise international use of the yen.

Bank notes will show no alteration, having no era name on them.

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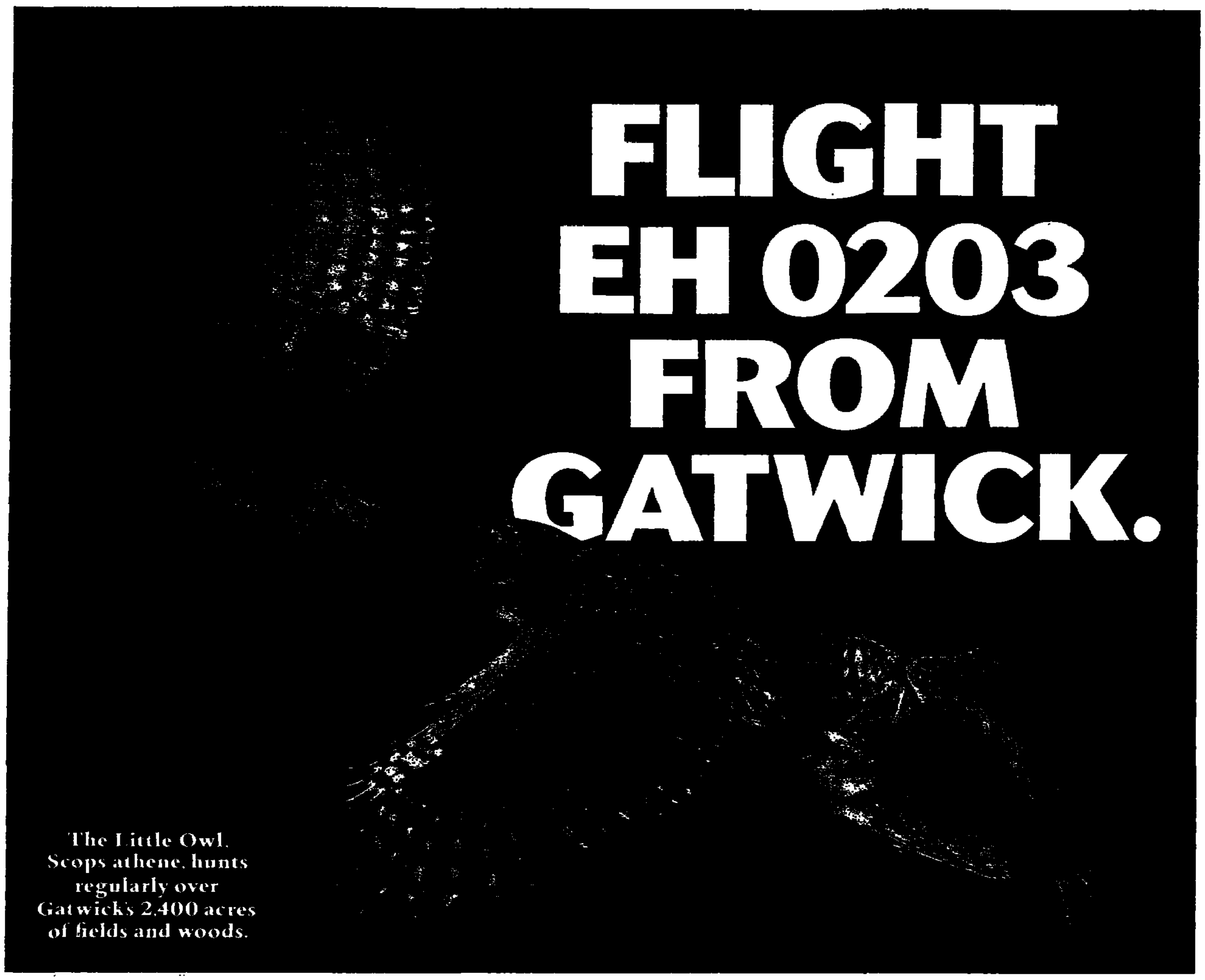


FLIGHT EH 0203 FROM GATWICK.

The Little Owl, Scops athene, hunts regularly over Gatwick's 2,400 acres of fields and woods.

When naturalist Gerald Durrell goes on safari at the world's second busiest international airport, anything can happen. So welcome to Gatwick, where the jumbos co-exist happily with a herd of roe deer and where the first flight from the new £210 million North Terminal was a little owl.

I have been to see animals and plants in some extraordinary places: frozen Russian tundras, the Brazilian rain forest, burning Australian mountains, the cactus-prickly deserts of Southern Arizona.

I have searched for creatures by helicopter, on horseback, from balloon and canoe; in catacombs and cemeteries, underwater and underground.

But I never thought I would be coming to see animals and plants at the world's second busiest international airport.

The lovely damsel fly, Agrion splendens, rests between aerobatic stunts.

It was therefore with a certain scepticism that I boarded the canary yellow Land Rover that was to carry us on our mini-safari to the wilds of Gatwick.

Our guide was Alan Baldock, who has worked at the airport for twenty years and appears to know every field, tree, bird and animal intimately.

The tour began where the River Mole emerges from a concrete culvert that channels it under the main runway.

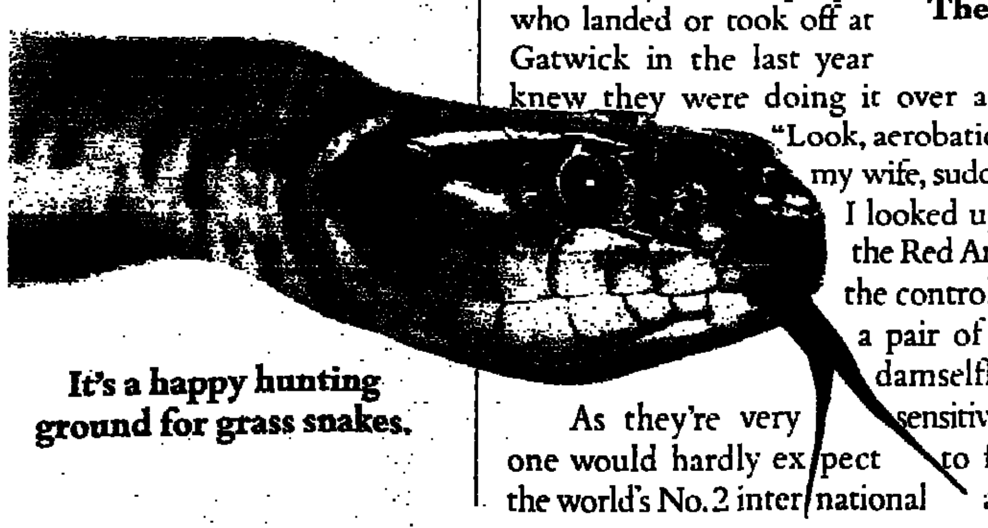
"See how it's reverting to nature," said Alan enthusiastically. "Fish lurk about in the mouth of it. There are stalactites growing inside and a thriving colony of bats live there."

(I wonder how many of the twenty million people who landed or took off at Gatwick in the last year knew they were doing it over a bats' roost.)

"Look, aerobatics!" cried Lee, my wife, suddenly. Startled, I looked up, but it's not the Red Arrows buzzing the control tower, it was a pair of blue Agrion damselflies.

As they're very sensitive to pollution one would hardly expect to find them at the world's No. 2 international airport. (The new North Terminal, I am informed, will enable the airport to handle some twenty-five million passengers a year.)

The Kingfisher surveys his domain on the River Mole.



It's a happy hunting ground for grass snakes.

With 114 airlines flying in and out – and more international travellers than New York's Kennedy Airport – you'd expect the environment to be inimical to wildlife. But from what we saw, clearly it isn't.

Sticklebacks, roach, dace and even pike swarm in the sherry-brown water of the river, and Lee and I saw the opalescent flash of a kingfisher hunting from bank to bank.

The woods nearby are full of plants with wildly poetic names – Adder's Tongue Fern, Enchanter's Nightshade, Dog's Mercury, and something that should surely be banned from airports – Yorkshire Fog.

We moved slowly downstream, to where the Mole has been carefully diverted to make way for the North Terminal.

The massive amount of soil this generated was raised into huge environmental banks, which screen the new terminal and house its central heating boilers.

Foxes use them as sun beds and they also provide a fine larder of voles and field mice for the stoats, weasels and owls that live in the area. (Little owls, plentiful in the Gatwick area, often carry leg rings with numbers that sound like airline flights.)

That the ecology is in good shape is evidenced by the presence of so many predators. In a crisis, the animals at the top of the food chain are the first to suffer.

Next on our agenda was the airport's long-term car park where I was amazed to find that, looking down on 14,000 vehicles, I could hardly see them for trees.

Like many other parts of the airport, it seems to blend into the rolling wooded Sussex landscape. BAA has spent more than £10 million at Gatwick on environmental work since the mid-seventies and planted nearly half a million trees and shrubs.

At the height of summer, looking after the airport's fifty yard thick perimeter belt of trees can be a full time job for several men.

The river Mole's new floodplain, Alan said, is to be planted with rare wetland plants. He pointed out a hemlock water-dropwort with its fern-like foliage.

"Deadly," he remarked with gloomy relish, and the conversation turned to the nasty surprises that some of the most innocent looking creatures can give a naturalist.

A Bee Orchid of the kind the ops men were seeking.

In Australia, for example, I take great care with the Duck-billed Platypus, so charmingly like Donald Duck in a fur coat, but with venomous spurs on its legs. And I always watch myself around hippos and elephants during the mating season for fear of being mistaken for a rival.

"It can get a bit like that here," said Alan, "in the breeding season. The bucks get all uppity with each other."

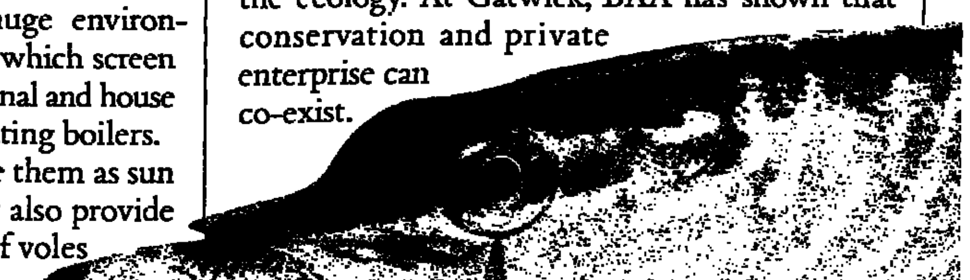
Bucks? Did he say 'bucks'? But after bats, pike and fine-leaved hemlock water-dropworts, why should it surprise me that there are roe deer living within four hundred yards of the runway. (Kept off it, I should add, by more than a mile of seven foot high deer fence.)

Sadly, the deer were shy, but in spacious green meadows framed with woodland we saw two herons pacing, grey as churchwardens in the lush grass.

Twenty million people each year land and take off within 400 yards of a herd of wild Roe deer.

We soon discovered what they were after. The grass was full of baby frogs, glistening as if newly-enamelled.

All my life I have urged companies that own land to look after it responsibly. Not to damage the ecology. At Gatwick, BAA has shown that conservation and private enterprise can co-exist.



This stickleback looks decidedly down in the mouth – of a pike!

For some time, we had been followed by two airport operations men in a yellow BAA Land Rover.

"Are they afraid I will pinch all your flora and fauna?" I asked Alan. He pulled over and the other vehicle came alongside.

"If you're looking for Bee Orchids, we'd like to see them too," explained the 'ops' men.

It was the perfect end to an extraordinary day.

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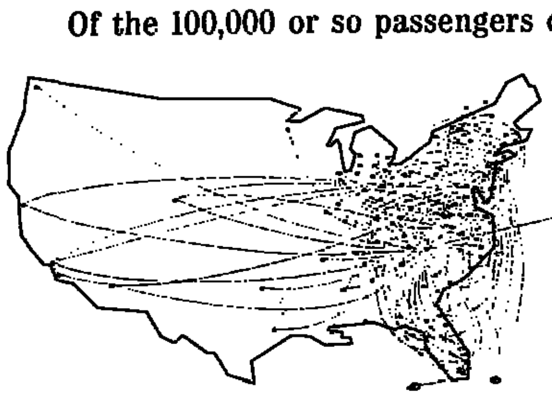

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UK NEWS

Lawson reaches no firm decision on more tax cuts

By Peter Norman, Economics Correspondent

MR NIGEL Lawson, the Chancellor of the Exchequer, completed weekend talks with Treasury ministers and senior officials without reaching a firm decision on whether to cut income taxes in the budget in March.

Closeted in the Chancellor's weekend residence in Dorneywood outside London, Mr Lawson and his advisers took the view that economic conditions were too uncertain to form an initial "budget judgment."

The weekend meeting, a traditional event at this time of year, was shorter than usual and concentrated on winnowing the various options open to the Treasury in the budget, which generally is expected to be given on March 14.

Mr Lawson remains committed to his long-term goal of reducing the basic rate of income tax to 20p in the pound from the present 25p, but has always emphasised that he would cut taxes only when it was prudent to do so. The Chancellor cut 2p off the basic rate in his last budget and replaced a series of higher tax bands with a flat rate of 40p in the pound.

Mr Lawson presides over a budget surplus expected to exceed by a considerable margin the £10bn forecast for the 1988-89 financial year by the Treasury last November. The consensus among economic forecasters is that the surplus will rise to more than £13bn in 1989-90 and the following year.

However, factors encouraging caution include inflation at an annual rate of 6.4 per cent and rising, together with a massive current account balance of payments deficit that reached £13.4bn in the first 11 months of last year.

Mr Lawson has come under growing pressure in recent weeks from parts of the Conservative Party to introduce a budget which would assist the lower paid. A favoured approach would be to raise by more than the rate of inflation the threshold before which people start to pay tax.

Mr Lawson will want to be sure, however, that the economy, which may have grown by more than 5 per cent last year, is rid of excessive demand before taking any bold steps.

In an interview with the Financial Times last week, he said he would rather err on the side of surplus in budget planning and appeared cool to the idea of special measures to encourage savings.

The nine increases in bank base rates to 13 per cent from 7½ per cent since the middle of last year are only now beginning to feed through into higher mortgage repayments for many homeowners.

Anecdotal evidence of consumer spending patterns before Christmas and during the new year sales is more than usually confused, with signs of a slowdown in demand co-existing with evidence that the spending boom continues.

The Treasury, which yesterday refused to comment on the Dorneywood talks, believes that consumer demand could slow dramatically once the interest rate increases affect disposable income.

The slowdown in the housing market, with fewer properties changing hands, will also reduce demand for large consumer durables, which tend to be imported.

However, wage trends are likely to play a key role in determining the final budget profile. Average earnings have been rising at a rapid 9 per cent per year, a rate which up to now has been offset by sharp productivity gains in manufacturing. Further strong growth in wages when the economy is slowing could hit productivity and add to inflationary pressures.

Both the Organisation for Economic Cooperation and Development in Paris and the Bank of England have advised the Chancellor to err on the side of caution in his budget.

The OECD has expressed concern that Britain may find it hard to finance its current account deficit if it cuts taxes by more than the amount needed to offset inflation since the last budget. The Bank believes that the Government should retain a large budget surplus to encourage confidence among the foreign investors who finance the current account deficit.

Workers' ballot brings Jaguar to critical turning

Vote tests how far company interests will overcome cost of living pressures, writes Richard Tomkins

It is crunch time at Jaguar. Four months of intermittent wrangling have ended, a final pay offer is on the table, and unions and management are about to discover whether 9,000 manual workers are prepared to tighten their belts to help see the luxury car maker through one of the most difficult periods in its history.

Workers at Jaguar's three main plants in Coventry and Birmingham today vote in secret on the management's offer – rejected by the unions – of a two-year pay deal worth a little over 4 per cent each year. If they reject the offer, a ballot on industrial action is likely.

The outcome will be crucial. Declining US sales have sent Jaguar's profits into a dive and its prospects for 1989 are bleak. The company has reached the stage where a long strike could threaten its viability.

But the workers are feeling the pinch from another quarter. They are traditionally among the highest paid in the motor industry, many have bought their own homes and they are no strangers to the credit card culture. Rising interest rates and mortgage repayments have hit them hard.

It is, therefore, not just Jaguar which will be watching today's ballot on the pay offer. As one of the first big pay negotiations to reach a climax since interest rates reached present levels, this could prove a significant test of how far workers are prepared to balance the interests of their company against the pressures of the rise in the cost of living.

Jaguar argues that it cannot afford to pay more. The weakness of the US dollar has squeezed its most important market and sent pre-tax profits tumbling from £121m in 1986 to £97m in 1987 and towards a probable £45m for 1988. It could struggle to make a profit at all in 1989.

The company is trying to counter the slide with a £50m cost-cutting programme and sharp increases in productivity. But the speed-up of production lines and gradual reduction in manpower has built up an atmosphere of simmering resentment on the shopfloor which has manifested itself in sporadic walk-outs over the last 12 months.

Whether or not feelings are running strongly enough for an all-out strike over the pay offer is another matter. Conversations with workers coming out of the company's Browns Lane assembly plant in Coventry reveal that tomorrow's vote could be finely balanced.

Several people rushing for homebound buses restricted their comments on the pay offer to the single word: "Rubbish." A track worker who did not wish to be named said he thought the vote would go against because the increase did not match the rise in the cost of living.

But Mr Brian Legge, a road tester, said he thought there would be little support for a strike. "Personally, I think people will accept it. I can't see the company making a better offer and the only alternative is strike action: but you've only got to be out for a week and that's your year's pay rise gone."

Another unnamed track worker said he thought the vote would be a close thing. Many would vote against the offer, but only because they did not feel they were yet at the end of the negotiating road.

Mrs Brenda McKinnie, who has worked at Jaguar for 31 years and sews seats in the trim department, called the offer "disgusting."

"Two years ago Jaguar used to be a lovely place to work, but not any more. It's a terrible atmosphere. They're making things a lot harder for people on the shopfloor: they want more off them but they don't want to give them anything in return.

"But it's hard to say which way the vote is going to go. We've got a lot of new ones that have started here and I think they'll accept the offer for fear of losing their jobs." According to Mr Tony Russell, the engineering workers' convenor at Jaguar, a sticking point between the negotiators is the two-year deal.

"We do recognise that Jaguar has financial problems but the company is asking us to accept a fall in our living standards," he says.

A subsequent ballot might find support for limited industrial action such as an overtime ban. But it could be the very thought of mounting mortgage repayments that ultimately dissuades the workforce from commiting themselves to a strike.

Drug, chemical sectors' advances praised

By Peter Marsh

BRITAIN'S chemical and drugs industries have stood out in the past few years in terms of scientific achievements, at a time when the technological strength of UK as a whole appears to be ebbing.

That is the conclusion of a study on different countries' technological performance conducted by researchers at the Science Policy Research Unit at Sussex University.

The report, based on an analysis of technical ideas which big companies around the world have patented in the US, paints a depressing picture of the technological capability of UK industry as a whole.

It says that outlays on industrial research and development expressed as a proportion of industrial output were lower in Britain in 1985 than the US, Japan, Sweden and West Germany although they were higher than in Italy, Holland and France.

The analysis, by Mr Keith Pavitt and Mr Pari Patel, found that in particular UK chemicals and pharmaceutical companies such as Imperial Chemical Industries, Beecham and Glaxo had performed well in shifting their technological activities into fast-moving areas of science with a high chance of commercial spin-offs.

That was in marked contrast to other UK companies studied in the report from the electronics and engineering sectors. These companies, such as General Electric Company, Plessey and Rolls-Royce, had done less well in spotting commercial opportunities which follow from new lines of research.

The study says that ICI has in particular stood out in shifting its research efforts into high-growth areas, including pharmaceuticals and agrochemicals and away from areas such as dyestuffs and organic materials where future markets are less assured.

The rate of patenting of inventions in the US – the biggest market for technology-based products – was lower in the UK's case during the five years to 1985 than any of these nations except Italy and France.

The International Distribution and Determinants of Technological Activities by Keith Pavitt and Pari Patel, Oxford Review of Economic Policy, vol 4, no 4, Oxford University Press.

North 'to lose out as companies leave south'

By Hazel Duffy

GOVERNMENT hopes that the north-south divide will disappear as companies choose to move out of congested London and the south-east win little support from a study into the comparative costs for companies operating in different regions.

The research project was commissioned by the then Department of Industry, but has just been published.

It concluded that unless the Government adopted a more effective regional policy, the main areas to benefit from the fall-out from the south-east will be East Anglia, parts of the Midlands and the south, but not the north.

The research, carried out by PA Cambridge Economic Consultants, sought to identify areas which are competitive for mobile investment. It found:

- Input unit costs, including energy, labour, industrial services, rent, rates, bought-in transport and insurance payments, tend to be higher in large conurbations than in their hinterlands.
- There does not appear to be a sharp north-south divide in industrial competitiveness – all parts of England tend to have some areas which are uncompetitive compared to all other areas.
- London is uncompetitive compared with all other areas. Companies operating in London, and to a lesser extent, the prosperous Home Counties, could boost profitability by moving out.
- Market forces may eventually lead to industrial investment leaving London and the south-east to enhance competitiveness through lower costs, but they would not have to go very far.

East Anglia, some areas in the south-west and parts of the Birmingham hinterland are highly competitive.

- The urban areas in those parts of the country which are eligible for government assistance are less likely to benefit from regional policy than the more rural areas of these locations.

Geographical Variations in Costs and Productivity. Peter Tyler, Barry Moore, John Rhodes. HMSO. £9.95.

Electricity privatisation 'massive cost to consumer'

By Philip Stephens, Political Editor

THE LABOUR Party will this week launch a campaign to highlight what it claims will be the cost to consumers of the Government's plans to privatise the electricity industry.

The campaign will coincide with the expected publication tomorrow of the Government's proposals to regulate the privatised industry.

Mr Cecil Parkinson, the Energy Secretary, plans to publish details of the licences at the start of the Electricity Bill's committee stage in the Commons. The licences will set the conditions under which electricity generators and distributors will operate.

Mr Tony Blair, Labour's energy spokesman, has tabled more than 40 amendments to the first few clauses of the bill, to focus public attention on the implications of the planned sale for consumers.

Most if not all will be opposed by the Government, which believes that its proposed framework for the industry will provide ample safeguards.

The Opposition's amendments call for a bigger voice in the industry for consumers; the transfer of key regulatory powers from the Secretary of State to the Commons; and, specific efforts to promote energy conservation.

Labour vehemently opposes the privatisation, arguing that it will result in large increases in electricity prices without any discernible benefit for consumers.

It recognises, however, that the Government's huge majority in the Commons makes the bill's passage almost certain.

Its strategy therefore is to promote growing public concern about the likely impact of the sale and to win support for as many amendments as possible.

Overall, the committee stage of the bill will last about three months, and Labour is expected to table hundreds of further amendments in coming weeks.

Many of those amendments will seek changes in the Government's plans for nuclear generation and for a so-called nuclear tax to ensure the construction of a new generation of nuclear plants.

The common theme of the first clutch is that a number of specific safeguards for consumers must be written into the bill.

Mr Blair, for example, is proposing that the responsibilities of the new Director General for Electricity Supply, towards consumers, should be spelt out more clearly, with an explicit threat of dismissal if not carried out.

He also wants greater parliamentary oversight of the director's work, increased powers for the proposed regional consumer committees and the establishment of a national committee of consumers.

The licences Mr Parkinson will publish tomorrow will detail the framework under which all sectors of the industry will operate after the sale.

Some key details, however, will be left open. They include the figures to be applied in the lengthy pricing formula and the length of contracts between generators and suppliers.

Tourism chiefs see 5% rise in visitors

By David Churchill, Leisure Industries Correspondent

BRITAIN'S tourist industry forecasts a growth of 5 per cent in visitors to Britain this year in spite of concern that more Americans may stay away because of fears of terrorism in Europe.

The bullish forecast comes after the British Tourist Authority has released preliminary estimates that show 1988 as being the best year for incoming visitors to Britain.

A total of 15.9m overseas residents came to Britain last year – an increase of some 3 per cent over the 1987 record level.

This year the BTA estimates that a total of 16.7m overseas residents will come to Britain.

However, the figure assumes no dramatic fall in the numbers of Americans coming to Britain, as happened in the spring of 1986 when the numbers of US visitors dropped by 40 per cent at one stage.

Although the numbers of American travellers to Britain returned to normal in 1987, they fell away again last year as a result of the weak dollar and the traditional trend for Americans to travel abroad less during an election year.

In the first nine months of last year there were some 4 per cent fewer visitors from North America (including the US and Canada) than in the same period of 1987.

The shortfall of American visitors in recent months has been mainly felt by the top London hotels, restaurants and taxi operators who all report fewer free-spending Americans in the capital. Some London plays and musicals are also said to have suffered.

However, tourist industry chiefs suggest that Americans will not react as sharply as they did in 1986 to renewed fears of terrorism in Europe.

Mr Robin Lees, director of the British Hotels and Restaurants Catering Association, also points out that there are more business travellers coming to Europe from the US than in 1986 and suggests that they are less likely to cancel trips.

Schroders leads takeover advisers' league

By David Waller

SCHRODER Wagg has become the most active securities house advising on takeovers involving UK companies, according to a survey.

Schroders moved ahead of Morgan Grenfell and S. G. Warburg in 1988 as a result of its role in a number of billion-pound "mega-bids," according Mergers & Acquisitions, a magazine published by the Financial Times group.

It advised Rowntree on its £2.6bn defence against Nestlé and British Petroleum in its £2.5bn battle for Britoil.

It advised on 26 bids for UK quoted companies worth a total of £11.06bn (see Table 1).

When bids for unlisted UK companies and overseas acquisitions or disposals by British companies were added, the story changed slightly and Warburg came out top, as it did in 1987 (see Table 2).

It advised on 84 deals, worth £15.45bn, with Shroders in second place again with 102 deals worth £14.46bn, followed by Morgan Grenfell which maintained its third place with 90 deals worth £12.47bn.

The hallmark of 1988 was the increase in value of the bids undertaken. In 1987, for example, Morgan Grenfell was the leading merchant bank in UK takeovers advising on 33 deals worth just over £5bn. Last year, the value of the 29 deals it advised on more than doubled to £10.57bn and yet the bank still fell to second place behind Schroders.

Morgan Grenfell's performance demonstrated that the adverse publicity associated with the Guinness affair had not stopped it participating fully in the era of the giant bid. Its billion-pound tally included the bids for Consolidated Goldfields (£2.9bn), Dee Corporation (£1.9bn) and Ranks Hovis McDougall (£1.7bn).

Of all the leading merchant banks, Warburgs owed its position least to these mega-bids – it advised on just one, for RHM. Reflecting its involvement the £1.7bn referred bid for Scottish & Newcastle, and Nestlé's assault on Rowntree, County NatWest surged up from ninth to fourth place in the league.

Kleinwort, one of the top three merchant banks until 1987, saw its position slip from four to five in spite of its involvement in Barker & Dobson's £1.9bn bid for Dee.

Warburg's lead in the growing field of acquisitions by UK companies overseas was boosted by its role advising on the takeover of Pillsbury by Grand Metropolitan and the purchase of Brooks Brothers by Marks and Spencer.

Only those merchant or investment banks named in the bid documentation as financial advisers have had their roles credited in the table below. By that measure, Shearson Lehman and Lazard Frères New York are the only two US banks to make it into the Top Ten in Table 2, while Goldman Sachs fell from eighth to 11th place. Shearson owes its rise to its involvement in the Britoil bid, Beazer's bid for Koppers and BAT's bid for Farmers.

Lazard Frères advised Minorco in its £2.9bn bid for ConsGold.

1. BIDS FOR UK QUOTED COMPANIES

	Adviser (1987 position)	Value £m	Number
1	Schroder Wagg (3)	11,061	26
2	Morgan Grenfell (1)	10,569	29
3	SG Warburg (2)	7,563	31
4	County NatWest (9)	7,071	21
5	Kleinwort Benson (4)	6,770	18
6	Lazard Freres NY (15)	5,104	3
7	NM Rothschild (11)	4,863	22
8	Samuel Montagu (7)	3,705	18
9	Lazard Brothers (6)	3,192	17
10	Shearson Lehman (-)	2,755	3
11	Baring Brothers (10)	2,697	10
12	BZW (8)	1,593	18

Note: includes bids that had lapsed, gone conditional or been referred to Monopolies Commission by December 31, 1988. Bids for partial or outstanding stakes are excluded.

2. BIDS FOR ALL UK COMPANIES AND BRITISH BIDS ABROAD

	Adviser (1987 position)	Value £m	Number
1	SG Warburg (1)	15,446	84
2	Schroder Wagg (2)	14,458	102
3	Morgan Grenfell (3)	12,471	90
4	County NatWest (10)	9,207	78
5	Shearson Lehman (16)	8,868	37
6	Kleinwort Benson (7)	8,117	57
7	Samuel Montagu (5)	7,460	71
8	Lazard Brothers (6)	5,590	56
9	NM Rothschild (12)	5,220	62
10	Lazard Freres NY (19)	5,104	3
11	Goldman Sachs (8)	4,642	15
12	Morgan Stanley (11)	4,593	9

Note: includes bids for UK public companies, acquisitions of UK private companies and subsidiaries of public companies, and bids and acquisitions made by UK companies for non-UK companies.

Labour has 'last chance over defence policy'

By Philip Stephens, Political Editor

THIS YEAR'S Labour Party review of its defence policy will mark its last chance to formulate a credible stance to put to voters at the next general election, Mr Martin O'Neill, the party's defence spokesman, said yesterday.

Mr O'Neill, speaking at a Fabian Society conference, said Labour would have to decide whether to realise its ambitions for a non-nuclear Britain on its own or through negotiation. Whichever route the party took, however, it would have to realise that decommissioning nuclear weapons could not be achieved overnight.

Mr Neil Kinnock, the Labour leader, favours scrapping Polaris and Trident as part of a negotiated deal with the Soviet Union, but last year's party conference blocked his attempts to shift party policy.

United Biscuits reshapes European snacks business

By Christopher Parkes, Consumer Industries Editor

UNITED BISCUITS has restructured its European snacks business to take advantage of changing Continental eating habits and the opportunities offered by the completion of the internal market, scheduled for 1992.

The company's British KP Foods division is to take direct control of the Belgian Westimex business, which supplies France and the Benelux countries with Croky crisps and snacks, and Sepa, its French nut processor and snacks distribution company.

Those businesses, formerly answerable to the group's international division, will now report to Mr Barry O'Connell, managing director of KP.

Links with ICA, the Italian manufacturer of Cric-Croc snacks in which UB has a 30 per cent stake, remain unchanged, although Mr Brian Cardy, marketing director of KP, has joined the board.

While acquisitions were being sought, the first move would be to introduce pan-European branding, Mr Cardy said at the weekend.

Established brand names would be kept, but packs would have common design features in all markets. The KP name would be used in planned incursions into other European markets, he said.

Although continental consumption of salty snacks is relatively low, Mr Cardy said there were signs that the US and British habit of eating "on the hoof," also known as "grazing," was advancing eastwards.

UK sales of crisps, nuts and savoury snacks rose by about 8.5 per cent last year to around £1.1bn, almost equalling the £1.3bn recorded in the rest of western Europe. Mr Cardy said he expected total European sales to reach £3bn by 1992.

British Council cash targets EC and Soviet Union

By Robert Mauthner, Diplomatic Correspondent

THE BRITISH Council yesterday announced that a substantial part of the £6m increase in the direct grant it is to receive from the Government in 1989-90 will be spent on raising Britain's profile in leading European Community countries and the Soviet Union.

Although the increase of 7 per cent of the Government grant over 1988 is the first for at least a decade, the British Council's total budget has risen from £232m in 1978-79 to £312m in the current year. Over the past few years, a special effort has been made to develop the council's revenue-earning activities, particularly its English language teaching.

The cash made available by the Government will enable the British Council to make a bigger cultural and educational impact in the EC, where an extra £1.7m will be spent in the lead-up to the single market in 1992.

Exchange programmes with France and West Germany will promote links with British higher education and research institutions and new English teaching centres, which will be self-supporting from students' fees, will be opened in Italy.

A programme will also be launched to create a greater awareness among young professionals in EC countries of British achievements in education and training in areas such as science and technology, business studies and financial and legal services.

In Eastern Europe, particularly in the Soviet Union, the British Council intends to take advantage of the greater opportunities offered by glasnost for the expansion of its activities. Some £3m will be spent on establishing closer contacts between Britain and the Soviet Union and other Eastern European countries.

To meet a special demand from the Soviet Union and other Eastern European countries, the council will provide training facilities in Britain for at least 50 industry managers a year, most of them from the Soviet Union. In April, 20 Soviet managers will be coming to Britain for a two-week course, with attachments to industry for another week.

The council plans to provide more British reading rooms in Eastern European university towns, and to set up language centres to teach English to academic staff.

In Japan, funds have been allocated to increase scientific exchanges and collaborative research and to develop British studies. More resources will be devoted to China, which will increase the number of sponsored students visiting the UK.

Mr Tim Eggar, Junior Minister at the Foreign and Commonwealth Office, commenting on the British Council's new programmes, said: "The British Council makes an absolutely vital contribution to Britain's image abroad and to our cultural diplomacy. It has a proven record of success, so we shall be looking for a good return on investment."

High discovery rate adds to North Sea oil optimism

By Steven Butler

OIL AMOUNTING to over 1bn barrels was discovered last year in the North Sea. That represents about 20 per cent more than was produced, according to a year-end review by County NatWest WoodMac, the stockbroking firm.

The high discovery rate underscored a trend of increased optimism about the future of the North Sea oil industry last year, when increases in rates of both exploration and capital investment took place.

The resurgence of interest in the North Sea has come in spite of the maturing of the area as an oil province in which only relatively small fields are thought to remain undiscovered.

The year none the less did see a number of discoveries of significant size. The Nelson discovery by Enterprise Oil is estimated to contain at least 300m barrels, while further appraisal drilling of the Waverley/Brunel prospect, operated by Amerada Hess and Amoco in adjoining fields, is thought to contain at least 420m barrels.

The success rate for exploration wells came to 22 per cent, which although below the 10-year high of 26 per cent hit in 1987, none the less continued the broad upward trend of recent years. Liquid discoveries were greater than in 1987, although drilling in gas areas tended to concentrate on appraisals and thus fewer discoveries were reported.

The total number of wells completed reached 167, a 47 per cent increase over 1987 and the highest level since 1984, when oil prices were about $37 a barrel at today's prices. Prices for Brent oil crudes in 1988 averaged £8.50 a barrel, compared with £11.20 in 1987.

The increased activity pushed up rates for drilling rigs, especially for jack-up rigs used in the relatively shallow southern gas basin of the North Sea. Semi-submersible rig rates also rose off the bottom of the market, although they remained at a relatively depressed level of $15,000 a day, with utilisation rates of about 60 per cent.

During the year, oil companies committed some £3.5bn to new projects in a total of 21 developments approved by the Government. Thirteen projects were approved in 1987 for £1bn. The 1988 capital commitments were the highest since 1982.

In addition to the oil discoveries, County NatWest WoodMac estimates that recoverable oil reserves in committed fields increased by 560m barrels, an increase of 3.8 per cent on total recoverable reserves, or 8.5 per cent on remaining reserves. That has led the firm to upgrade its forecast for future North Sea production, with the expectation that the UK will be producing 2m barrels a day in 1995.

The production cost for UK oil fell by 5 per cent to £2.08 a barrel.

The rise in optimism was reflected in brisk corporate activity, with BP's £2.5bn takeover of Britoil marking the largest deal in North Sea history.

Clapham rail crash inquiry to open with preliminary hearing

By Kevin Brown, Transport Correspondent

THE PUBLIC inquiry into the deaths of 34 people in the Clapham Junction rail disaster will open in London tomorrow with a preliminary hearing at the Central Hall, Westminster.

Mr Anthony Hidden, QC, the inspector, will hear arguments on requests for legal representation and procedural matters such as the order in which witnesses should give evidence.

The inquiry is only the fourth to be held under the 1871 Railway Act, which provides for formal investigation of serious railway accidents.

The last inquiry held under the act was into the deaths of 31 people in a fire at King's Cross underground station, London, in November 1987.

The Transport Department said the timetable for the inquiry was a matter for Mr Hidden. However, the investigation is likely to be completed more quickly than the King's Cross inquiry, which took 91 days and reported nearly a year after the fire.

An internal British Rail inquiry has already concluded that the disaster was probably caused by defective installation of signalling equipment.

That is thought to have led to the failure of a fail-safe mechanism that should have stopped all trains in the Clapham area.

A full report of the internal inquiry will be passed to Mr Hidden by Mr Maurice Holmes, BR's director of safety.

However, Mr Hidden is free to call all the witnesses interviewed by BR, and to reach different conclusions if he wishes.

Mr Hidden is likely to want to hear evidence on rail union claims that signals and telecommunications staff were working 60 hours a week and were sometimes forced to work by torchlight, because of understaffing.

The accident happened at 8.13am on December 12, a quarter of a mile outside Clapham Junction in south London.

The 06.30 train from Bournemouth smashed into the back of the 07.18 from Basingstoke, which had halted in a cutting on the fast main line. Seconds later, an empty train from Waterloo to Haslemere hit wreckage scattered on the fast line out of London. The guard from the empty train flagged down a fourth train, which stopped safely.

BR has accepted full responsibility for the accident. It has guaranteed to pay minimum compensation of £10,000 to bereaved relatives, instead of the £3,500 required by law.

Limited effect seen in Sunday shopping

By Maggie Urry

THE EFFECT of allowing shops in England and Wales to open on Sunday would be relatively modest, according to a study of such trading in Scotland, where Sunday opening has been legal for years.

The author is Mr Terry Burke, principal lecturer in business economics at the Polytechnic of Central London. He says one in six shops may find it worth while to open on Sundays.

He says: "It seems unlikely that given Sunday opening throughout Britain any spectacular fortunes will be made or truly viable businesses ruined."

On Sundays in Scotland most multiples open and most independents stay closed, and there is a rise in Sunday opening before Christmas.

Shops that open on Sundays found on average that the extra day accounted for 14 per cent of weekly takings, even though opening hours were generally shorter than on other days. Most retailers opening on Sundays said turnover rose as a result.

Extra spending on Sunday came from a smoothing of the Saturday peak; new money which would not otherwise have been spent; and from taking business from competitors that remained closed on Sundays.

Shops in Scotland found no difficulty in attracting staff to work on Sundays, the survey shows. All the shops surveyed paid staff a premium to work on Sunday.

Mr Burke concludes that the effect of Sunday opening on "the British way of life" would be relatively small.

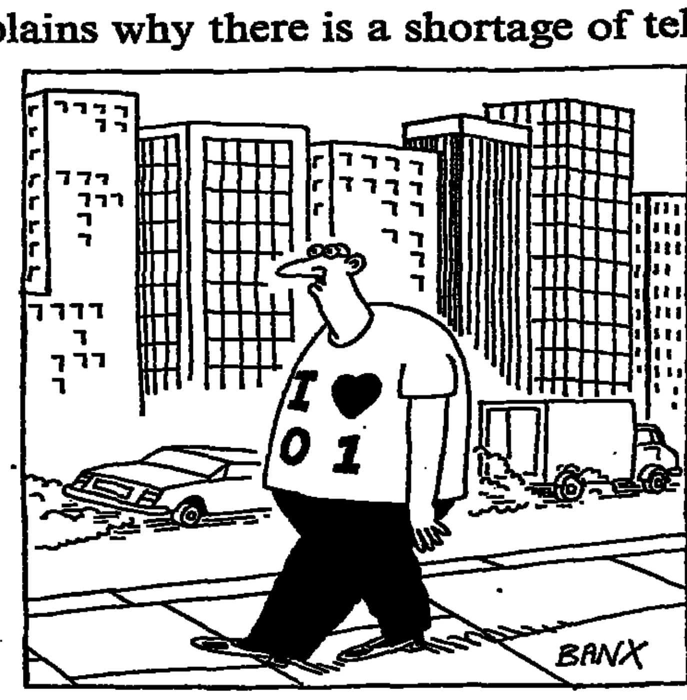
Such changes as would arise would, he suggests, be likely to include more family shopping at weekends; more activity in home improvement and gardening shops; and more part-time job opportunities.

He also forecasts a modest increase in total retail sales and "rather less law-breaking by the normally law-abiding."

Sunday Trading in Scotland. Polytechnic of Central London, Faculty of Social Sciences and Business Studies, 32-38 Wells Street, London W1P 3FG. £2.50.

Exchange dials 0 for overload

Hugo Dixon explains why there is a shortage of telephone numbers



BRITAIN is rapidly running out of telephone numbers.

In London, the situation has become so critical that its familiar 01 dialling code is likely to be abolished early next year and replaced with two new longer codes - 071 and 081. That would double the supply of numbers in the capital overnight, giving temporary relief from the shortage.

In the rest of the country, the supply of numbers is expected to last until the middle of the next decade. By then a radical overhaul of the numbering system will be needed.

It is likely to involve adding one or two digits to each number in the country. For each digit added, the supply of numbers is theoretically multiplied by ten.

The thought of Britain running out of numbers may seem incredible when a casual glance at the mathematics of the numbering system would suggest that the nation has hundreds of millions of numbers to spare.

Most telephone numbers use nine digits – the initial 0 is not normally counted. Three-digit codes, such as Oxford's 0865, are followed by six-digit numbers; while two-digit codes, such as Edinburgh's 031, are followed by seven digits.

Because each digit multiplies the supply of numbers ten times, a nine-digit system should theoretically contain 10^9 or one billion numbers. In fact Britain only uses 23m numbers, so more than 900m numbers appear to have mysteriously vanished.

Part of the explanation of this conundrum is that ordinary telephone numbers cannot start with 0 (used to identify trunk calls) or 1 (reserved for numbers like the 192 directory inquiries). That immediately knocks 200m numbers off the available supply.

But the main explanation concerns the way the numbering system helps to route calls around the country. The first three digits tell the network which area of the country to send a call to. For example, 0865 means: "Send this call to Oxford!"

The next two digits tell the main exchange in an area to pass the call on to a particular local exchange. 0865-27 means the exchange in central Oxford. The final four digits identify a particular home or office. 0865-27-7777 means Balliol College.

The present system of routeing calls around the country in three separate stages was adopted years ago because of the technological limitations of mechanical telephone exchanges.

However, routeing calls in stages has led to a huge wastage of numbers. The difficulty is not so much a shortage of numbers itself but an extremely uneven distribution.

One glaring example is the Highlands and Islands of Scotland. Although their population is only 100,000, they have ten three-digit codes, giving a capacity of ten million lines. They use only a tiny proportion.

At the other extreme is London. Its seven-digit system can also support ten million numbers. Given the capital's huge population, it is hardly surprising that it is facing a shortage.

There is a similar uneven distribution of numbers at the second stage of the routeing process, but that would not matter if there had not also been an explosive growth in demand for numbers in recent years. One main factor behind this growth has been the Government's policy of liberalising telecommunications.

This has led to a host of new services springing up – freephone calls, chatline services, car phones and other types of mobile communications – each needing its own allocation of numbers.

Future technological developments are likely to boost the demand for numbers further.

One of the most exciting proposals would be to give everybody in the country a personal telephone number. That would allow somebody moving between locations to instruct the network where to divert his or her personal calls. However, anybody calling the office number, for example, would continue to be put through to the office.

Such a scheme will be technically feasible within a few years, but it would require millions of new numbers.

Another massive source of demand for numbers would open up if a lot of people started using Mercury Communications and the cable television companies instead of British Telecom. Few people so far have switched from BT, partly because it involves changing their numbers.

The shortage of numbers today and the likely demand for even more in the future have convinced the Office of Telecommunications, the industry's watchdog, that Britain's numbering system needs a shake-up. It has therefore commissioned Ovum, a telecommunications consultancy, to advise it on possible options.

The new numbering system is due to be introduced in the mid 1990s to coincide with the replacement of the old-fashioned mechanical exchanges with new electronic exchanges, says Mr David Lewin, who is in charge of the Ovum study. When that happens, many of the restrictions that forced the numbering system to develop in the way it has will no longer apply.

In particular, it will no longer be necessary to send calls around the country in three separate stages. Electronic exchanges could simply look at the number as a whole and decide immediately where to route the call.

Such a system would be an extremely efficient way of conserving Britain's supply of numbers, because any numbers not being used in one part of the country could be transferred to where they were needed most. People could also keep their numbers if they moved home.

There would be one big drawback with such a scheme. If the spare numbers in one area were given to another part of the country, codes would gradually cease to identify location.

That might not be a problem for the telephone companies, whose modern exchanges would still know where to send calls, but it could create confusion for the public, which has grown used to codes meaning particular places.

Oftel is therefore being pulled in opposite directions. If it abolished codes completely, it could probably afford to keep the nine-digit numbering system. But if the codes remain as they are, two more digits may be needed to satisfy demand.

One possible compromise would be to modify the coding system so that the first three digits continued to identify a main exchange, but the next two digits ceased to identify the local exchange. People would still know that 0865 meant Oxford and probably only one extra digit would be needed.

No decision has been taken, but striking the right balance will a tricky task. Whatever Oftel chooses, some telephone customers are bound to complain.

MANAGEMENT

Corporate alliances

Why liaisons are more risky than most partners suspect

By Christopher Lorenz

In the short space of a fortnight just before Christmas, Siemens, the West German electronics and electrical engineering multinational, announced plans for no fewer than three major international joint ventures: with America's IBM in telecommunications, with its fellow German AEG in transformers and switchgear, and with Britain's GEC in several product areas as part of a takeover bid for the latter's main national rival, Plessey.

Siemens also broke off talks with Westinghouse Electric of the US for a fourth partnership, in factory automation and a wide range of other industrial products.

The Munich company's sudden rash of activity was no isolated case of panic at all the international takeovers and other deals which are occurring in its various areas of activity. In the same two-week period this newspaper reported plans for 38 new joint ventures and alliances between companies of all sizes in every sort of industry, from biscuits to cars, software to property.

It was very much the same story for the whole of 1988, and is likely to remain so this year. Even over the Christmas period the flow continued, with GEC figuring again through a £4bn joint venture with CGE Alsthom of France.

Corporate alliances are far from a new phenomenon, especially those which give multinationals access to individual markets or technologies. But the spread of global competition to one industrial sector after another during the 1980s has prompted an unprecedented rush of companies to establish much more far-reaching joint ventures and other forms of alliance, especially with the thrusting Japanese but also across borders within the west.

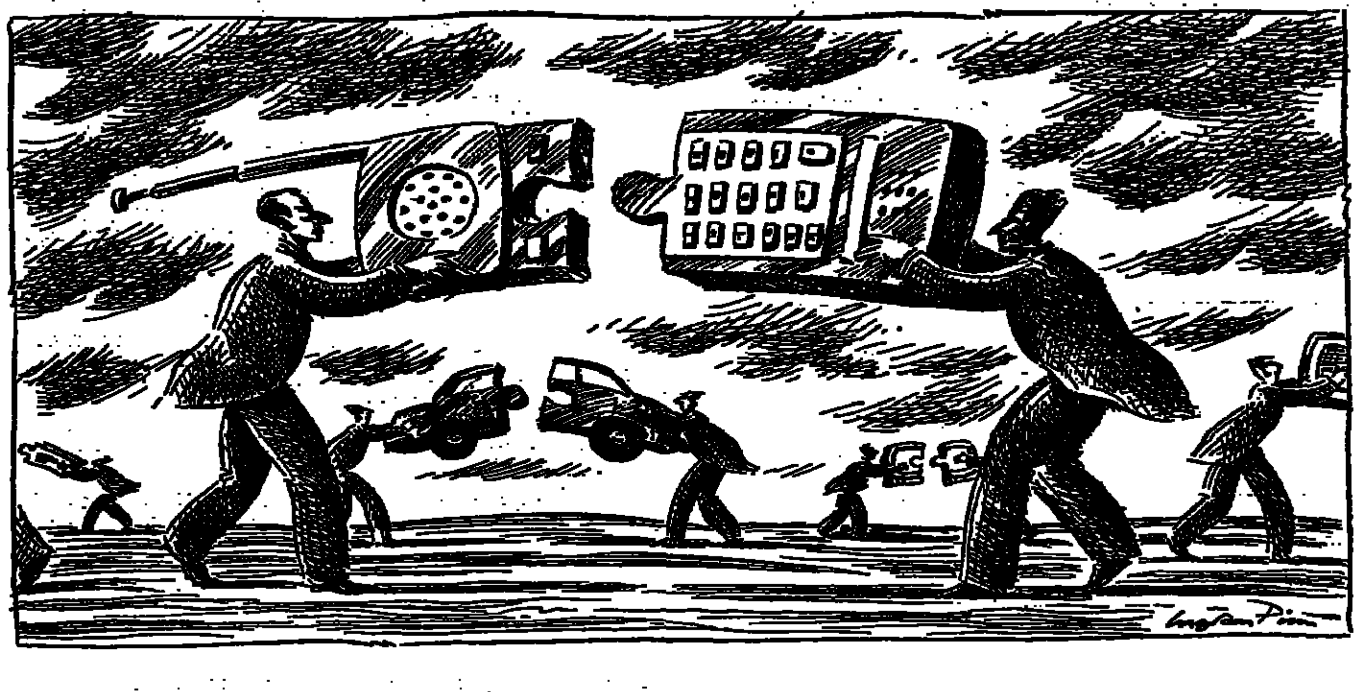
Over-capacity in many sectors is now hastening the flood, as are widespread deregulation and preparations for a single European market after 1992.

As a result, companies are plunging into international alliances at least as rapidly as into the more publicised maelstrom of mergers and acquisitions. This is sometimes because the takeover route is blocked by government or other restrictions; but there are often other reasons, including the badly mistaken assumption that because acquisitions are hard to manage, alliances must be easier.

In almost every case they have had to do so without the benefit of advice from consultants and business academics gleaned from other companies' experience. Five years ago, when the rush was really starting, experts with valuable advice to offer were confined to a couple of consultancies and business schools on either side of the Atlantic.

This lack of outside experience may be one of the reasons for the high failure rate of past alliances, not only between weak western companies and stronger Japanese partners, but also between enterprises in less obviously different cultures (six collapses were reported by the FT in that December fortnight, none of them involving a Japanese company).

Now, however, consultants and researchers all over Europe and the US are starting to spawn a series of studies about the reasons why different companies enter various types of alliance, and about how they can avoid the many hidden dangers of such relationships - especially the risk of domination by their partners. From within the corporate world itself, a few brave practitioners are starting to talk about their own and others' experience. The articles below summarise some of the latest research and advice.



Life cycles

A dismal record

Susan Simon is a senior executive at NYNEX, a US-based multinational with revenues of $12bn which has erected a string of nearly two dozen "strategic alliances" around the world over the past three years. Though most of them are going well, she declares that "alliances are our least favourite way of operating".

The reason, she says, is simple: that "most alliances fail – the record is very, very dismal". Not her own company's partnerships, that is — those of other corporations around the world. Only 10 to 15 per cent of alliances succeed, according to her research. The rest fail for a mixture of reasons, including lack of clear objectives, and one partner's loss of control to the other.

Simon's caution is shared by Barrie James, a senior executive at a major multinational who is also the author of a new book on what he calls "trojan horse" deals between strong Japanese and weaker western companies* which provide the former with access to the latter's markets. James complains that many western partners fail to understand the long-term implications of the relationship.

At a recent international conference in Amsterdam held by the Strategic Management Society the warnings of Simon and James were echoed by a string of researchers into the management of alliances.

John F. Mahon, of Boston University, argued that alliances tend to go through a "life cycle" which ends in divorce, amiable separation or — at best — development into the takeover of one partner by the other, or some other form of extension of the original deal.

NYNEX's many reasons for establishing so many partnerships, in spite of all the risks, were itemised by Susan Simon, who has the unusual title of director of strategy assurance at the company, which was formed several years ago through the merger of New York and New England Telephone.

For one thing, its customers have been going global, so it felt forced to follow. Customer demand for a wide range of new services was also expanding rapidly at a time when technology costs, market complexity and the very pace of growth were making it impossible for any one telephone company to develop and deliver every service itself.

Hence the widening range of alliances NYNEX has forged since early 1986, with providers of telecom services around the world – in Japan as well as Europe – as well as with software companies, computer manufacturers and other organisations.

Alliances not only needed a precise market focus, said Simon, but a complementarity of expectation on both sides: "If one side wants a 30-year marriage and the other wants to change partners every six months, it doesn't make for a very good relationship," she said.

Unlike many other western companies with Japanese alliances, NYNEX has not experienced the sort of problems which can arise when the inbuilt ability of each partner to learn from each other is unbalanced in favour of the Japanese.

This was a recurrent theme at the conference. Professor David Methe of America's Rochester Institute of Technology forecast that, in the key industry of microelectronics, the recent spate of alliances between large Japanese companies and small, innovative US computer logic specialists would probably result in Japan dominating the whole of the semiconductor industry in the 1990s.

Given the Japanese ability to learn, Methe concluded, Silicon Valley may end up in the same weak competitive situation that more traditional US industries are in today.

**Trojan Horse: The Ultimate Japanese Competitive Challenge to the West. W.H.Allen, spring 1989.*

Japanese partners

Erecting barriers

IBM, the American data processing giant, is building a special facility in Japan where Fujitsu, one of that country's leading computer companies, can review its new mainframe software before deciding whether to take a licence on it.

By using this purpose-built unit, rather than giving Fujitsu broader access to several of its laboratories and other sites, IBM is taking a precaution which most western companies fail to follow with their Japanese partners – it is controlling exactly whom and what Fujitsu sees, and therefore how much information it can glean from it.

What IBM has realised, according to a penetrating research study described in the latest issue of the Harvard Business Review, is that many strategic alliances today are not just collaborative, but competitive.

As a result "Big Blue" has erected various barriers to limit the transparency of its skills and information towards any partner which wants to extract them. Fujitsu has done the same to its various western partners, which also include Siemens of West Germany and ICL of Britain.

Motorola, the US electronics group, has taken similar action in its alliance with Japan's Toshiba, according to Gary Hamel, Yves Doz and C.K. Prahalad, a team of business school academics from Europe and the US who took over five years to carry out their study into the inner workings of 15 international alliances, and the performance of many more – mostly involving at least one Japanese partner.

The HBR article which describes their main findings is titled "collaborate with your competitors - and win"*.

The Motorola-Toshiba agreement enables the US company to release its microprocessor technology only in stages, in direct proportion to Toshiba's "delivery" on its promise to increase Motorola's penetration in the Japanese semiconductor market.

Lest the academics be accused of anti-Japanese bias, as they have been in the past, Hamel, Doz and Prahalad stress that using an alliance with a competitor to acquire new technologies or skills is not devious. It reflects the commitment and capacity of each partner to absorb the skills of the other.

"We found that in every case in which a Japanese company emerged from an alliance stronger than its western partner, the Japanese company had made a greater effort to learn," report the trio.

"The willingness of Asian companies to enter alliances represents a change in competitive tactics, not (in) competitive goals," they continue. NEC, for instance, has used a string of collaborative ventures to enhance its technology and product competence.

As a result it is the only company in the world with a leading position in telecommunications, computers and semiconductors – despite having invested proportionately less in research and development than its various western competitors.

The reluctance of Japanese and other Asian companies to "open the kimono" as readily as their western partners helps explain the fact that joint ventures between Japanese and Korean companies have been few and tempestuous, argue the academics. "When both partners are equally intent on internalising the other's skills, distrust and conflict may spoil the alliance and threaten its very survival."

Alliances seem to run most smoothly, the authors claim, when one partner is intent on learning and the other on avoiding having to make an expensive investment in R&D, distribution, skill-building or whatever – in other words, when one partner is willing to grow dependent on the other.

"But running smoothly is not the point," they argue, complaining about the "harmony index" which many western companies use to measure the supposed success of an alliance. "The point is for a company to emerge from an alliance more competitive than when it entered it."

For this to happen, it is vital to build a secure defence against encroachment by one's partner – as IBM and Motorola have tried to do in several ways. The academics claim that this is generally harder for western manufacturing companies than for the Japanese.

This is because the former's skills – such as engineering drawings, computer tapes, or the expertise of a few experts – tend to be more vulnerable to transfer than Japan's manufacturing excellence and other forms of know-how, which are far more multifaceted and deeply rooted.

"Asian companies often learn more from their western partners than vice versa because they contribute difficult-to-unravel strengths while western partners contribute easy-to-imitate technology," say Hamel, Doz and Prahalad.

The study provides extensive advice for companies which want to exploit these traps, rather than fall into them. For instance, the academics suggest that western companies should use employees at relatively low levels to acquire all sorts of knowledge from the partner.

This is already standard practice among Asian companies, report the academics, citing the example of a Japanese development engineer who toured a partner's factory, taking notes of all sorts of production details which fell outside his own responsibility, and were not encompassed in the official terms of the alliance.

As they rightly comment, "such dedication greatly enhances learning."

**HBR Jan-Feb 1989, reprint no 89104. Fax no (USA) 617-495-6985.*

APPOINTMENTS

Lesser Land restructured

■ LESSER LAND has restructured. Mr Bert Ridley joins the main board and has been appointed director in charge of a new project management company. Mr Howard Morris has been appointed director in charge of a new acquisitions company, Lesser Property Developments.

Mr Douglas Smith becomes managing director of Lesser Land (Scotland). Mr David Lesser has been appointed managing director of Lesser Land following the departure of Mr Graham Hill, who is leaving to become development director with Grand Metropolitan Estates. Lesser Land is the commercial property development subsidiary of the Lesser Group.

■ HENDERSON ADMINISTRATION has made Mr Robin Berrill head of the group's UK retail division. He was deputy managing director of John Govett & Co Pensions. He takes up his appointment as managing director of Henderson Unit Trust Management and Henderson Unit Funds Services on January 23.

■ Mr Nick Bender has been appointed director of the new professional indemnity division of BABETS, the insurance and reinsurance brokers. He was previously employed by Norex Insurance Brokers.

IDEAL HOMES HOLDINGS, part of the Trafalgar House Group, has appointed Mr Charles Birch (above) as regional managing director with responsibility for the area sales companies in the North of England, Scotland, the Midlands and Wales. He was previously managing director of Ideal Homes North West.

■ Mr Andre Confavreux has been appointed group company secretary of ADWEST GROUP. He remains responsible for the Adwest property division.

■ PORTALS WATER TREATMENT has formed PCI Membrane Systems. The directors are: Dr Ted Jackson, Mr David Banfield and Mr Neil Edkins who will manage the company on a day-to-day basis. Mr Richard Mills will act as company secretary.

■ TURNBULL SCOTT HOLDINGS has appointed to the board Mr Nigel T. Wolstenholme, managing director of property subsidiary T.S. Frobisher.

■ LEISURE INVESTMENTS has appointed Mr Paul Granville-Self as managing director of the restaurant division; and Dr Edward Vandyk as chief executive of the health division. Mr George Martin, chief executive of LandLeisure, has resigned.

■ BRADSTOCK GROUP has appointed Mr Brian J. Robbins as a director of Bradstock Byrne & Partners; Mr Jeffrey G. Smith as an associate director of Bradstock, Blunt (Northern); and Mr John G. Laver and Mr David R.H. Whitewood as directors of Lloyd's broker, Bradstock Blunt & Crawley.

■ DEVITT GROUP has appointed Mr L Gregory as a director of Devitt (Bloodstock); and Mr A.V. Tyrrell as a director of Devitt (North America).

Mr Kenneth Fairclough, (above) group managing director of the AUTOMOBILE ASSOCIATION, has been appointed deputy director general, responsible for all AA activities.

■ Earl Nelson of Trafalgar has been appointed a director of RETAINACAR, which carries out car window etching.

■ Mr Ron Leader has been appointed managing director of NATIONAL CAR AUCTIONS, part of the Wincanton Group. He was managing director of the Colchester auction.

■ NURDIN & PEACOCK has appointed Mr R.D. Fulford, non-executive chairman of Citicorp Scrimgeour Vickers, as a non-executive director. Mr R.J. Rawlings, property and building director, steps down from the board of Nurdin & Peacock Cash & Carry, but remains on the main board until he retires in June. He will be handing over to Mr B. Collishe who will be joining the Cash & Carry board. Mr G.A. King, a non-executive director, has retired.

■ Mr Christopher J.M. Wardley has been appointed north west regional director of WIMPEY CONSTRUCTION UK. He was deputy regional director, and joined Wimpey early last year from Amec Projects.

■ PERSIMMON, York, has appointed Mr Michael Farley to the main board. He will continue as managing director of Persimmon Homes (Wessex).

■ MULTITONE COMMUNICATION SYSTEMS has appointed Mr Andy Biancardi as managing director export and Mr Ian Macfarlane as managing director UK.

■ Mr Simon J.E. Drake has joined INDUSTRIAL CLEANING PAPERS as financial controller and company secretary. He moves from the National Freight Consortium where he was a financial manager with subsidiary Tempco Union.

■ NOBLE GROSSART has appointed Mr David Mathewson and Mr Christopher Smith as directors.

■ EQUITY & LAW GROUP has appointed Mr Mike Hicks as general manager of Equity & Law International Life Assurance Company, Equity & Law International Fund Managers, and Equity & Law International Funds, the group's three offshore companies based in the Isle of Man. He succeeds Mr Jeremy Hewlett who has retired.

Top changes at Bimec

■ Mr Samuel M. Smith, deputy chairman and chief executive of BIMEC INDUSTRIES, Birmingham, has been appointed executive chairman. Mr Bernard Wheeler, formerly chairman, becomes deputy chairman responsible for corporate development. Mr Rob Ashley has been appointed group financial controller and company secretary. Mr Peter Young has been appointed managing director of Biomechanics Environmental, principal company of the environmental division, with Mr Peter Goldbrough, currently Humber area manager of Anglian Water, appointed contracts director. Mr Tom Russell's appointment as managing director of Application Control Electronics, principal company of the electronic control systems division, has been confirmed, and he will be joined by Mr Stuart Nash as contracts director. Mr Nash was project manager with Fisher Controls.

■ SAPA HOLDINGS has appointed Mr David Boast to the group management. He will be appointed to the main board. Mr Paul Cook becomes managing director of Securistyle, and Mr Derek Haworth is appointed managing director of Consort. Mr Claes-R. Simonson retires as chairman of Securistyle and Consort but will continue as a director of both companies. Mr Boast becomes chairman of both companies, and will continue as chief executive officer.

■ SIMON ENGINEERING has appointed Mr James Burkitt as company secretary in succession to Mr Alan Royle who has retired.

Mr Frank Valentine, a director, has become managing director of GEORGE MELLER, supplier of process and pipeline equipment.

NOTICE TO THE HOLDERS

of the outstanding US$100,000,000 4¾ per cent. Convertible Guaranteed Bonds Due 2001 (the "Bonds") of LONRHO FINANCE PLC (the "Issuer") and convertible into Ordinary Shares of LONRHO PLC, constituted by a Trust Deed dated 30th April 1986 (the "Trust Deed"). Redemption on 8th December 1988

The attention of holders of the Bonds is drawn to the Notice of Redemption published in the Financial Times on 24th October 1988, advising holders that it was the Issuer's intention to redeem all outstanding Bonds on 8th December 1988.

As Trustee for the Bondholders, the Law Debenture Trust Corporation plc has exercised its power under the terms of the Trust Deed and on the basis therein authorised to apply, on behalf of the Bondholders, the aggregate of the principal and premium amounts due on the redemption of the unpresented US$35,000 of the Bonds, in subscribing for Ordinary Shares in Lonrho Plc and has arranged for the sale for the benefit of Bondholders entitled thereto of all Shares arising from such subscription.

Bondholders who have not yet presented their Bonds and received their entitlement to the proceeds of such sale (amounting to US$1,822.22 per US$1,000 Bond) are reminded that they may do so at any of the Paying and Conversion Agents' offices. Bonds so presented should be accompanied by all unmatured Coupons.

PRINCIPAL PAYING AGENT
Kredietbank S.A. Luxembourgeoise,
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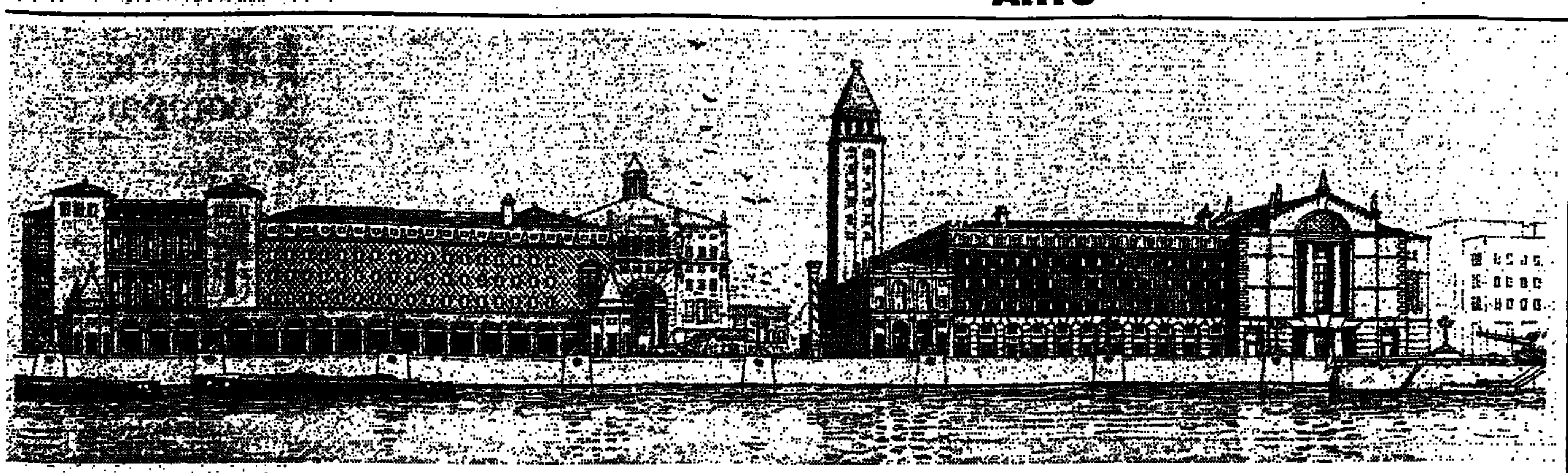
Luxembourg 1108.

9 January 1989

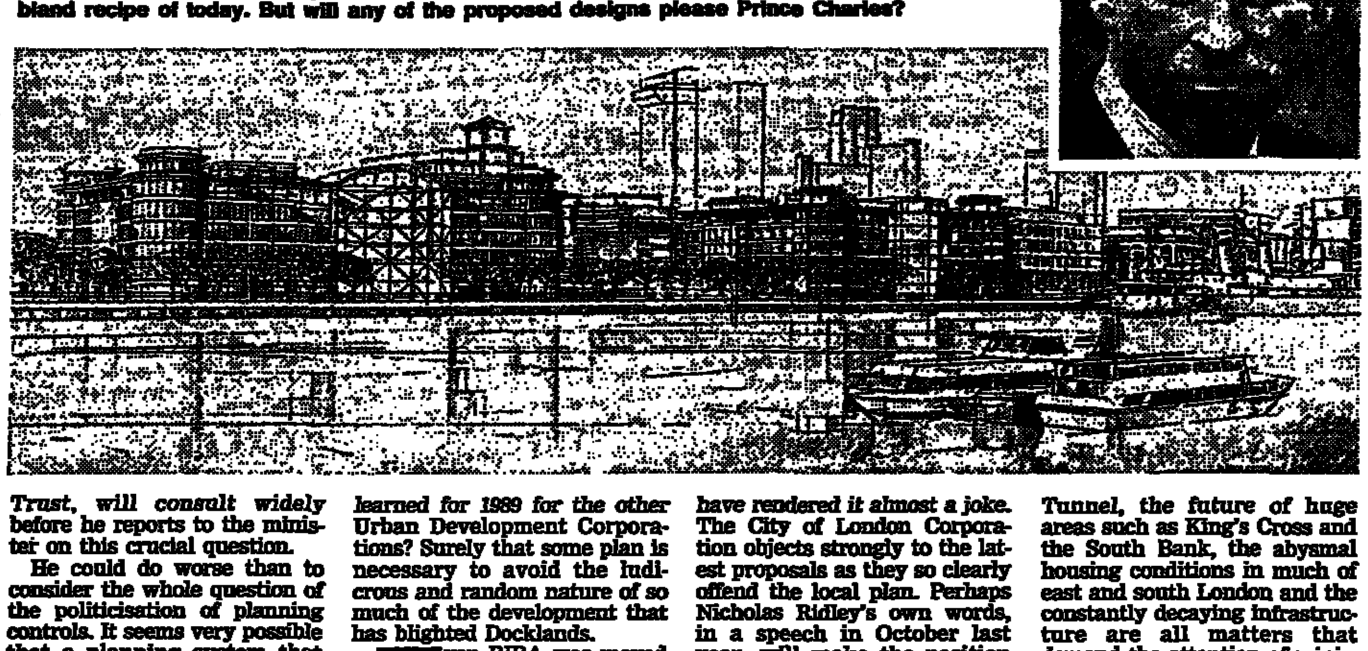
ARTS



The dangers of aesthetic idleness

Colin Amery on an astonishing year for architectural debate

The architectural dilemma is crystallised in the decision of the St Martin's Property Company to submit three schemes to an inquiry into the future of London Bridge City. Top, John Simpson offers Venetian; above, Philip Johnson offers Elizabethan Gothic; below, Twigg Brown offers the bland recipe of today. But will any of the proposed designs please Prince Charles?



IS it possible to write about architecture in the year that has just passed and not mention the Prince of Wales? It could be done, but that would avoid acknowledging the principal effect of his interventions, which has been to encourage national debate about architectural matters. In this he has undoubtedly succeeded. There cannot be an architect alive who would dare to say that his profession is ignored by the media: there has never been a year like it in living memory for the public discussion of contemporary architecture in all its guises.

The reactions from the architectural establishment have been fascinating, ranging from acute paranoia to personal abuse. Any critic who has dared to support the essence of the debate is likely to be described by the Prince's opponents as a cringing, fawning, royalist sycophant.

But the essence is not what modern architects seem to think it is – a kind of style war. The Prince's television film talked boldly about much more fundamental matters than style. He was rightly concerned about our national aesthetic idleness, about the fact that "man is more, much more, than a mechanical object whose sole aim is to produce money." He was not afraid to mention God and the Divine spark of creativity, and to warn architects about the dangers of supine acceptance of commercial briefs. It has been pathetic to see distinguished and prominent architects responding so inadequately to the serious, radical and high purposes of his speeches.

The year 1988, then, will be remembered more for the debate about architecture than for any major new buildings. The standard of visual literacy has been the issue and that can only be improved by the arrival on the scene of an important new art magazine, *Modern Painters*, edited by Peter Fuller.

This new quarterly is eminently readable and not afraid to enter the architectural debate. How right they were to point out in a recent editorial that "one of the causes of the present debilitation of architecture is its divorce from the Fine Arts – especially drawing and sculpture. Conversely, one of the many reasons for the decline of the Fine Arts is their separation from architecture."

The imminent birth of a new architectural journal, *Architecture Today*, is also very encouraging. I hope it will be catholic and wide ranging – too many of the existing professional journals are still riding very old and tired hobby horses and are not concerned with public enlightenment. It is the architectural culture that has been a major concern of 1988 and that in itself is an important advance. There will soon be practical results from the debate as the public and the decision makers realise that the demise of the second-rate design is what has to be achieved as soon as possible.

However, there are some commentators who feel that we are about to enter the architectural Dark Ages. They feel that the building boom has done what booms have always done: encouraged the second-rate. The spread of the out of town shopping malls, the leisure centres, the motorway service stations, has not encouraged architectural quality. So many of these schemes are disguised with what the *Architectural Review* has called "picturesque mediocre slime." Their criticism should also be aimed at the mass house builders who have now added Spanish haciendas and a "Californian Collection" to their ranges.

Planners are criticised for interfering with matters of aesthetic taste but their powers seem to have had little effect against the hacks of the architectural profession who still produce the majority of new buildings for the mass builders of the construction industry.

Looking back over the year there are several walls upon which your correspondent would have like to have been a fly. Not least would have been the dining-room walls of Admiralty House at the end of the year, when Nicholas Ridley, the Secretary of State for the Environment held a dinner party to discuss good design and planning controls.

Were the assembled architects and planners right to think of involving local pressure groups, the Civic Trust and the major conservation societies in the business of design and controls? I hope that Sir Christopher Benson, the president of the Civic Trust, will consult widely before he reports to the minister on this crucial question.

He could do worse than to consider the whole question of the politicisation of planning controls. It seems very possible that a planning system that owes its present form to the post-war activities of the Attlee government is not the instrument we need in these changed times. While the planning of appropriate uses for a limited supply of land is clearly a political matter, should development control remain in the hands of local politicians, too?

Perhaps there is an argument for independent planning panels of trained laymen to act rather like magistrates in relation to the legislature. The optimistic belief that existing planning committees harbour secret legions of qualified aesthetes can no longer be sustained. The presence of the president of the Royal Town Planning Institute and the prospective president of the Royal Institute of British Architects at the dinner only highlighted the extreme differences between the two professions.

Why do they insist upon their separate identities? In London we have seen what a period of no effective planning can do for an area. The Enterprise Zone of London Docklands has permitted development that is undistinguished in the extreme. What can be learned for 1989 for the other Urban Development Corporations? Surely that some plan is necessary to avoid the ludicrous and random nature of so much of the development that has blighted Docklands.

EVEN RIBA was moved to comment that it "views with utter dismay the mediocrity" of the architectural proposals for Canary Wharf. The Royal Fine Art Commission agrees, but such criticism has no effect at all. The Prime Minister dons her hard hat to dig the first sod of the development – but then she is on record as saying that she wants London to look like modern Singapore. The tragedy is that the talent is present in England to do so much better. If Canary Wharf had an ounce of the grace of Norman Foster's Hong Kong Shanghai Bank in Hong Kong it would be more welcome.

And along those lines, if Peter Palumbo, the property developer and chairman of the Arts Council, would actually build some good developments that do not remove listed buildings in the heart of the City's conservation area, then he could be taken seriously as a practising patron.

He entertained us again in 1988 with a another long inquiry into the future of his Mansion House Square site. The manipulation and intrigue surrounding that development have rendered it almost a joke. The City of London Corporation objects strongly to the latest proposals as they so clearly offend the local plan. Perhaps Nicholas Ridley's own words, in a speech in October last year, will make the position clear once and for all: "Whenever there is a well prepared and up to date Local Plan, reflecting the views of local people and consistent with national and regional policies, it will carry a great deal of weight in planning decisions. I will ensure that my inspectors take full account of it, in deciding planning matters."

The words of the new junior Environment Minister at a conference in 1988 clarify the position too when it comes to groups of listed buildings in Conservation Areas such as London's Mansion House Square. "Heritage is not just for toffs – it is not just high architecture and great houses. Think of the neighbourhoods obliterated and disoriented by well-meaning comprehensive development in the 60s and 70s."

The year 1989 will see the future of this troubled City site settled once and for all. There are many more important things for the Minister to worry about, particularly in London. The future of a capital city with no overall local government should worry all of us. The arrival of the Channel Tunnel, the future of huge areas such as King's Cross and the South Bank, the abysmal housing conditions in much of east and south London and the constantly decaying infrastructure are all matters that demand the attention of ministers. The state of the capital demands attention in 1989 – attention that is political as well as environmental.

But it is the state of the art of architecture that must concern this column more than anything else. I do not feel that we are entering the Dark Ages of design. There is talent abounding. What is missing from the architectural profession – and they made very little progress towards it in 1988 – is an awareness that their clients must also have a say.

The clients are more than those who pay the bills – although these are of fundamental importance. Good clients are put off good architects because they resent being treated as though they are ignorant and Philistine. The best architects do not resent informed comment and criticism. The great public art of architecture will flower as both clients and architects share the same culture and values. The gap has narrowed in 1988 and the wider public debate encouraged by Prince Charles has had a lot to do with it – whether architects like it or not.

Sponsorship

Industry villains improve their act

Certain industries live off the arts but give little back in terms of sponsorship. The traditional villains have been the salerooms, and the record and television companies. They are all trying belatedly to improve their reputations.

Currently in London the big three salerooms, Sotheby's, Christie's, and Phillips, have invested time, and some money, into exhibitions which help charities, or universal knowledge, during their elongated Christmas break. At Sotheby's you can assist the National Art-Collections Fund by visiting the exhibition, "Monet to Freud" (Lucien), which presents art from British galleries which has been saved for the nation with the aid of contributions from the NAACF. The venture has been co-sponsored by Glaxo, and a very good show it is too.

At Christie's there is the most extensive loan exhibition in the UK celebrating the tercentenary of the accession of William and Mary, by way of the Dutch garden. It traces the development of Dutch gardens and their impact on the UK and is part of the Prince of Wales Tercentenary Trust celebrations. The sponsors, with Christie's, are the Baring Foundation and the Bank Mees & Hope of the Netherlands, and while the charitable element is minimal scholarship will be enriched. Phillips, with the *Royal Agricultural Society*, is sponsoring "This land is ours", a celebration of British agriculture over 500 years, at the Mall Galleries.

Among the record companies Virgin has shown some commitment, making contributions last autumn to the anniversary celebrations of the ICA and the exhibition of John Lennon drawings. In 1989 it intends to increase its involvement in sponsorship and is looking for other corporate sponsors to join with it in promoting concerts and recordings, and developing a stream of orchestral and solo talent working alongside the current subsidised sector.

Indeed the whole of the record industry is waking up to its responsibilities. As the "pop" audience grows up and widens its musical horizons the companies realise that the arts could be a loyalty builder. The announcement of a joint sponsorship scheme, involving most of the large record companies, is planned for next month.

This leaves commercial television, where LWT has left its rivals standing. It is continuing with its far sighted support for theatre companies which mount imaginative productions. There is no guarantee that the approved plays will be televised but links are formed and new writers and producers are encouraged.

This year Temba, the black company, won the £17,000 first prize for "Glory!", Felix Cross's "oratario", based around Caribbean music, which will tour the UK this year. The runners up were the East London based Operating Theatre Company, recipients of £15,000, for its promenade production of "The Harlot's Curse", while £12,000 went to another drama company which serves a theatrical wasteland, the Northumberland Theatre Company, which paid tribute to a north eastern hero, the footballer Jackie Milburn with "Wor Jackie".

* * *

Scottish & Newcastle Breweries is taking time off from defending itself from the unwelcome Elder takeover bid and putting £20,000 behind its first significant arts sponsorship. It is a bold venture, underwriting an exhibition of forty paintings by six young Scottish artists to be held at the Palace of Youth in Moscow in April.

Assembled by the 369 Gallery of Edinburgh it is the British response to a show of young Russians during the Edinburgh Festival last year. But it is not just a good will exercise. S & N is keen to develop trading links with Eastern Europe and the exhibition will be launched with that well known Soviet delicacy, McEwan's Export.

* * *

Arts sponsorship by local authorities is a growth area. Glasgow has created a new image for itself at least partly through its investment in the arts and Bradford and, to a lesser extent, Newcastle, are not far behind in their commitment. They realise that fostering the arts is a cheap way of attracting to the city the employing middle classes and their ancillary pleasures of restaurants, bars, smart homes – and rising land values.

Now, in the south, Croydon is pursuing the same path by luring the London Mozart Players down to take up a residency, both musically and in terms of administration, at the Fairfield Halls. The deal is worth £60,000 a year for five years in terms of rent, rates and bookings for at least six concerts annually in the Hall. The LMP will also perform in *schools, old folk's homes*, and hospitals. It's a nice fit for Jane Glover's players since they will have previously perfected many of the programmes on the South Bank.

Croydon will have the pleasure of a respected ensemble in situ and, not surprisingly in such a true blue town, local industry is interested in backing the idea. A big packaged goods company will announce next month that it is doubling the council's sponsorship with cash and thus solidifying the link.

* * *

PA, the management consultants, may not be the biggest spender on the arts (annual budget around £60,000) but it is one of the more imaginative. It is not shocked by the new and includes among its stable of arts groups London Contemporary Dance and the Young Musicians Symphony Orchestra. It finds that its guests actually enjoy the frissons associated with modern dance and modern music.

With the YMSO it is sponsoring the only substantial composers prize for a new symphony. Up to a hundred young composers (aged under 30) are expected to submit scores which could not only earn them a £2,000 first prize but also a performance by the YMSO at the Festival Hall. Although it is composed of recent music school graduates, who play for experience rather than money, the YMSO has in a few short years so established itself that it will be performing at the Festival Hall eight times this year.

PA, which used to support hardy annuals like the RPO, thinks that by encouraging the avante garde it is fostering for itself an adventurous image, with effective commercial spin off.

* * *

Moosehead, the Canadian beer, is continuing with its imaginative arts sponsorship programme, aimed to appeal to *the discriminating affluent* young, by putting up £12,000 to back the International Mime Festival which starts next week. It is also funding a commission for the Festival from Dereck Dereck Productions.

Antony Thorncroft

Bernard Roberts

WIGMORE HALL

A few years ago Bernard Roberts was *the* pianist who elected to make recordings of the complete cycle of Beethoven Piano Sonatas under the same conditions as a performer would face in live performances, which is to say passing up the chance for retakes or other forms of editing that most pianists today take for granted.

As a result Roberts has understandably won a reputation as a Beethoven specialist. To start the year he is presenting a short series of recitals at the Wigmore Hall that will take in all the composer's major late piano works. At the first of the three evenings last Wednesday he left no doubt that his specialism is of the most worthwhile kind and put before the audience music evidently long considered and absorbed.

Whatever passing feelings may have been engendered by this recital, the overwhelming feature was the sure sense of style that Roberts imparts in his chosen composer. In each of the pieces there was the same certainty of approach – of rhythms incisively defined, of strength and clarity, of great structures patiently and judiciously built – that marks this pianist out as a committed classicist, rather than a spontaneous, risk-taking Beethovenian.

Individual moments, or even movements, do not perhaps stand out. At the Maggio Musicale last summer Andras Schiff showed how to attack the opening movement of the *Hammerklavier* with headlong abandon; while memories of Richter, so intimate and sensitive to nuances in the great Adagio of the same sonata, are difficult to efface. But Roberts's way brings its own rewards, by always making sense of a work as a whole and never giving way to exaggeration.

The Op 126 Bagatelles and the Sonata in A Op 101, which rose to a splendidly convincing final climax, were no less satisfying. This is good, central Beethoven playing and anybody wanting to catch the other two recitals will want to know that the *Diabelli Variations* follow on Wednesday, while for the programme on January 24 Roberts will be harnassing the three last sonatas.

Richard Fairman

ARTS GUIDE January 6-12

MUSIC

London

Hermann Prey accompanied by Helmut Deutsch. Schubert Lieder recital. Queen Elizabeth Hall (Mon) (928 3191; cc 928 8800).

Britten String Quartet with Lynda Russel (soprano), Adrian Thompson (tenor), Iain Burnside and Imogen Cooper (pianos), Duncan McTier (double bass). Schubert. Queen Elizabeth Hall (Tue) (928 3191; cc 928 8800).

New London Orchestra. Conducted by Ronald Corp with Nicholas Daniel (oboe). Stravinsky, Poulenc, Ravel and Lennox Berkeley. St John's (Wed).

Hermann Prey accompanied by Helmut Deutsch. Schubert's Die Winterreise. Queen Elizabeth Hall (Thur) (928 3191; cc 928 8800).

Paris

Ensemble Intercontemporain conducted by Pascal Verrot. Scelsi, Ballif, Grisey, Varese Théâtre Renaud-Barrault (Mon) (42 56 08 80)

Gerhard Oppitz (piano). Brahms. Salle Gaveau (Mon) (45 63 20 30).

Ensemble Orchestral de Paris conducted by Sir John Pritchard, with Julia Varady (soprano). Britten, Mozart, Beethoven Salle Pleyel (Tue) (45 63 88 73)

Cyprien Katsaris, Berliner Philharmonische Virtuosen. Mozart, Bach, Tchaikovsky Théâtre des Champs Elysées (Tue) (47 20 36 37)

Quatuor Orlando. Mozart, Brahms, Beethoven Salle Gaveau (Wed, Thur) (45 63 20 30).

Scottish Chamber Orchestra with Philip Langridge (tenor), Henry Purcell in arrangements by Benjamin Britten Chatelet (Thur) (40 28 28 28).

Brussels

Monserrat Caballe (soprano) accompanied by Miguel Zanetti (piano). Vivaldi, Rossini, Granados Runci and others. Palais des Beaux-Arts (Tues) 512 10 02.

Orchestre National de Belgique conducted by Ivan Fisher, with Valery Afanassiev (piano).Dvorak and Brahms. Palais des Beaux-Arts (Thurs).

Monnaie String Trio with Daniel Blumenthal (piano), Hans Vanneste (clarinet), Carlos Brunee (flute), Derek Wickens (oboe), and David Miller (harmonium). Schönberg, Berg, Webern. *Théâtre du Residence Palace* (Thurs) 231 03 05.

Frankfurt

Frankfurt Radio Orchestra under Placido Domingo, with violinist Silvia Marcovici. A benefit concert for the reconstruction of the Frankfurt Alte Oper. Bruch and Beethoven. Frankfurt Alte Oper (Tues).

Katia and Marielle Labeque. Piano duo. Brahms, Ravel, Dvorak and Gershwin. Frankfurt Alte Oper (Wed).

Amsterdam

The Hague Philharmonic conducted by Aldo Ceccato, with Thomas Zehetmair (violin). Wagenaar, Mozart, Beethoven (Tue).

Royal Concertgebouw Orchestra conducted by Edo de Waart, with Paul Verhey (flute) and Edith Wiens (soprano). Bernstein, Zemlinsky. Concertgebouw (Thur).

New York

Philadelphia Orchestra conducted by Klaus Tennstedt. Bruckner programme. Carnegie Hall (Tue) (247 7800)

Ivo Pogorelich piano recital. Brahms, Liszt, Chopin. Carnegie Hall (Wed) (247 7800)

New York Philharmonic conducted by Felix Krulikov, Ivan Moravec (piano). Brahms, Schumann, Prokofiev. Avery Fisher Hall, Lincoln Center (Thur) (799 9595)

Orchestra of St Lukes conducted by Julius Rudel, with Frederica von Stade (mezzo soprano). Poulenc, Schubert. Carnegie Hall (Thur) (247 7800)

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Shostakovich programme. Kennedy Center Concert Hall (Thur) (254 3770)

Chicago

John Weaver organ recital. Handel, Bach, Messiaen, Bingham, Franck. Orchestra Hall (Mon) (435 6666)

Mirador Ensemble. Wilder, Bartok, Mendelssohn, Stravinsky. Orchestra Hall (Wed) (435 6666)

Chicago Symphony Orchestra conducted by Erich Leinsdorf. Stravinsky, Mozart. Orchestra Hall (Thur) (435 6666)

Tokyo

Julian Lloyd Webber (cello). Rachmaninov. Casals Hall (Tues) (291 2525)

NHK Symphony Orchestra, conducted by Sir Alexander Gibson. Elgar, Tchaikovsky. NHK Hall (Wed, Thurs) (465 1781)

Stanislav Bunin (piano). Showa Women's University Hitomi Memorial Hall, near Sangenjaya. (Thurs) (237 9990)

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Japan's goals in a new era

THE JAPANESE themselves were initially surprised at the intensity of their emotions when Emperor Hirohito fell gravely ill last September. Until then, most seemed not to regard the Emperor or his family as an important part of their lives. In recent years, his countrymen have not objected to the continuation of the imperial system, but neither were they eager to see it play a larger role. The imperial family has been sensitive to this sentiment, customarily maintaining a much more retiring pose than, say, its British counterpart. The views and capacities of the Crown Prince, who has been waiting patiently in the wings for a long time, are virtually unknown to his new subjects.

However, with the passing of Emperor Showa, as he will be known from now on, many Japanese seem to feel that they have lost something of themselves. This is not surprising. For most Japanese alive today, he has always been there, in good times and bad. His passing inevitably makes people think about the extraordinary changes that have taken place in Japan and in its place in the world during his 63-year-long reign, especially since the end of the Second World War.

Rebirth of the nation

Whatever his role in that conflict, there is widespread agreement that the renunciation of his divine status after the war and his acceptance of a purely ceremonial role in state affairs contributed significantly to the rebirth of the nation. The change was largely at the insistence of the US occupation, which, partly because of the emergence of communism in China and the Korean peninsula, came to see the value of preserving some important Japanese traditional institutions, including that of the Emperor, as a means of keeping Japan secure.

It is easy to forget that some Japanese, as well as foreigners, would have been happier to see the Emperor tossed in a prison camp after the war. His adoption of a modest role provided not only a thread of continuity at a time when almost everything else in the country had been broken but also the opportunity for reconciliation between the Japanese themselves.

The extent of the Emperor's personal involvement, in peace time as in the years of militarism, may be debated, but the success of Japan's recovery has been one of the indisputable miracles of the post-war era. The country that could not afford to feed its people in 1946 has in only 40 years become an economic superpower. Thus, the passing of the Showa era might be expected to be an occasion for quiet self congratulation in Japan. It appears instead to be causing heightened anxieties about the future direction of the country.

Nostalgic era

Although the early post-war years saw great hardship and strain for most Japanese, they seem to look back on it with nostalgia. It was an era during which the entire country united to realise a single goal – achieving a standard of living similar to that of the Western industrialised democracies. Recently, the Japanese people have gradually recognised that the great goal has been achieved. The passing of the Emperor forces that recognition into the open. However, it also puts into relief the thought that, like many other countries who have attained a comfortable degree of success and even affluence, the Japanese will probably be unable to set and work towards such a clear and universally accepted target in the future.

They surely now know that the country's progress is inextricably linked with that of the entire world. Japan is now such a large economic force that its policies and conduct inevitably affect others. Conversely, others insist that Japan abide by international codes of conduct rather than cling to its own, often opaque, traditions.

Thus the ending of the Showa era marks the ending of a way of life in Japan. With its great wealth and its strong commitment to non-military policies, the country has an opportunity to exert a global influence for good. Its people, combining the best elements of Japanese tradition and an increasingly intimate knowledge of Western culture, have much to offer. Those may not be the simple, easily understood goals of the past, but they are worthy ones for a new era.

Attrition in the City

THERE WAS never any doubt that the London securities markets were going to see an exodus of people and capital in the aftermath of Big Bang. The interesting questions concerned the identity of the winners and losers, and the length of time it would take for price competition to sort out this hitherto protected industry. After last week's decisions by the securities off-shoots of Chase Manhattan and Security Pacific to pull out of market making in equities and gilt-edged respectively, it is possible to make some tentative generalisations about an emerging pattern.

Game of chicken

Since the price war in market making began in August last year, a second wave of rationalisation has undeniably been gathering pace, with such well-known names as Citicorp pulling out of gilt-edged market making and Morgan Grenfell retreating from both gilts and equities. With Chase Manhattan and Security Pacific joining in, the odds are on a succession of similar *announcements this year as* other firms contemplate dismal budgets and inadequate returns on capital. There is a diminishing appetite for the present game of chicken, in which too many players have been hoping that someone else would withdraw capital from the market before they did.

As for winners and losers, the only City firms that can contemplate the situation with equanimity are those like Lazard Brothers which decided at the outset not to be directly involved. Even the success stories, such as S.G. Warburg and Barclays de Zoete Wedd, are acutely conscious that success is relative. But if there is a *common factor in the winners so far, it is that they all chose* good merger components.

Certainly this hypothesis *helps explain the flops. Morgan Grenfell failed to snap up lead*ing broking or jobbing firms in the pre-Big Bang market; it *spent heavily on buying individuals who did not, in the* final analysis, deliver. Midland Bank's acquisition, Greenwell, *was always an impressive bro*ker in gilt-edged, but second rate in equities. While the equity business quickly fell victim to the new climate, the gilt-edged team is still highly regarded. Chase Manhattan's acquisitions were undistinguished.

While good components have been a prerequisite they have not, in themselves, been enough. Citicorp's main acquisition, Scrimgeour, Kemp-Gee, was one of the best brokers in the old City. It is now a shadow of its former self. Similarly, the rapidity with which Hoare Govett's gilt operation moved from being one of the City's top three to a minor player under Security Pacific's ownership is striking.

Complex acquisitions

In part, that reflects a failure to bring a sound market making capability to support an able sales force. But it also says something about management. The difficulties in complex acquisitions have been compounded by clashes of culture between supposedly staid commercial bankers and more entrepreneurial brokers and market makers.

The trouble is not confined to the Americans. The problems of County Natwest, where Department of Trade inspectors are now investigating the firm's involvement in the controversial Blue Arrow underwriting, suggest that clearing bank parents may have good reason to look with suspicion on their more free-booting securities colleagues. But at least they have some choice in deciding whether to throw good money after bad. One of the lessons of Morgan Grenfell must surely be that British merchant banks cannot hope to fight a full-scale price war without adequate financial as well as human resources.

Where the timing of the market exodus is concerned, a speedy exit is helped by managerial distance. Commercial *bankers in New York readily cut far flung operations in Lon*don. New top management, as at Midland Bank, felt uncom*mitted to past policy.*

Perhaps the biggest casualty in all this is the notion that two and two can make five in *building an integrated securi*ties firm. What price synergy?

Terry Dodsworth and Geoffrey Owen on the latest GEC/Plessey struggle

From left: Sir John Cuckney, chairman of the consortium bidding for GEC, Lord Weinstock and Sir John Clark

Massing for battle

Twenty one years ago John Clark of Plessey tried to take over English Electric, but lost the battle to Arnold Weinstock's General Electric Company (GEC). Since then the rivalry between the two men has had a profound influence on the British electronics industry. Now the final shoot-out seems to be at hand. Either GEC, in partnership with Siemens, takes over Plessey, or – if the announcements made over the weekend turn out to be more than a smokescreen – GEC itself will be taken over by a consortium including Plessey.

There are at least six elements which will influence the outcome of this contest. They are the:

- Strategy and style of GEC
- Strengths and weaknesses of Plessey
- Credibility of the GEC bidders
- Role of the leading Continental electronics companies
- Role of powerful US corporations
- Competition authorities

GEC's arguments against a break-up bid are somewhat weakened by Lord Weinstock's public musings, some years ago, about the possibility of de-merging the constituent parts of GEC. However, that idea, which was probably never very serious, has given way to a more determined policy of developing GEC's businesses, by acquisitions and partnerships, to make them more competitive internationally. When GEC last bid for Plessey in 1985, Weinstock saw it as a move to strengthen and rationalise the British electronics industry, much as *his bids for AEI and English Electric* had done for the electrical industry in the late 1960s. Although the bid was turned down by the Monopolies Commission, it was followed soon after by an important partial rationalisation, the pooling of GEC's and Plessey's telecommunications interests into a joint company, GPT.

Just before Christmas last year came the dramatic announcement of a deal to put GEC's power engineering business, representing 20 per cent of the company, together with Alsthom of France. Such a deal, if it goes through, will make GEC less vulnerable to a hostile bid, but it also offers scope for plant rationalisation between France and the UK and usefully extends GEC's product range, particularly in gas turbines.

How far this joint venture approach will apply to other parts of GEC depends crucially on the outcome of the bid for Plessey, which could lead to further cooperation with Siemens in medical electronics and semi-conductors. In any case, GEC would argue that its Marconi defence electronics subsidiary is quite big enough to compete profitably in world markets. (GEC is not claiming that its bid for Plessey will lead to rationalisation in defence electronics; the plan is that the Plessey defence business, jointly owned with Siemens, would be run separately from Marconi.) The other main constituents of GEC – office equipment, medical electronics, electronic measuring equipment, domestic appliances and industrial apparatus – are, it believes, capable of profitable growth both organically and by acquisition.

Sir John Clark has had as dominant role in Plessey as Lord Weinstock at GEC. Just as the attitudes of analysts and politicians to Weinstock have ranged from adulation to denigration, so Sir John Clark has had credibility problems, not least over his apparent inability to retain senior executives. At the time of the GEC bid in 1985 Plessey's public image was helped by the presence alongside Sir John of able executives such as Sir James Blyth and Mr David Dey; both men left for other jobs shortly after the GEC bid lapsed.

The latest incumbent in Plessey's hot seat is Mr Stephen Walls, who became managing director only days before the new GEC bid was announced, but who has been spearheading an expansionary policy at the group as finance director for the last 18 months. Under Walls' prompting, Plessey has run down its cash balances in the interests of acquiring industrial assets, mainly in the defence electronics area in North America, but also in other areas such as data networking.

Walls cut his teeth in the US, and has plenty of experience of takeovers, as both a predator and a defender. At Plessey, however, the main thrust of his stewardship has been towards constructing a more internationally-based group in which activities in different geographical areas could feed off each others' expertise. The first step in this was the resolution of the telecommunications division's future through the joint venture agreement with GEC.

At the same time, Walls has been trying to shift the company into high-growth software and services areas, mainly through the acquisition of the Hoskyns computer systems group, and more recently into Continental Europe.

While the final shape of the counter-bid for GEC still has to emerge, it seems likely to bring together a variety of industrial partners on an international basis. Plessey has to be involved because of its half-share in GPT, the telecommunicati.ns company jointly owned with GEC. It will almost certainly be joined by STC, the UK group which is already a significant player in the telecommunications industry, and which is now run by Mr Arthur Walsh, a former GEC executive closely involved in building up the Marconi defence business.

It is difficult to see how a consortium bid for GEC could succeed without the involvement of a major US company, the most obvious candidates being General Electric (GE) – which has no connection with the British company – and American Telephone and Telegraph (AT&T).

GE has several important businesses which are relevant to the GEC/Plessey/Siemens/Alsthom manoeuvres, notably medical electronics, domestic appliances and power engineering. Moreover Jack Welch, GE's chairman, is determined to achieve global strength in the sectors where he chooses to compete. Hence a substantial move in Europe seems a strong possibility.

The company is believed to have discussed collaboration in domestic appliances with Philips; the Hotpoint side of GEC could be of interest. Probably more important is power engineering, where GE is well placed in terms of products (especially gas turbines) to take advantage of the opening up of the European power market. There could well be anxiety in GE's headquarters that between them companies like Siemens, GEC and Alsthom will carve up this market, creating a cartel for themselves and keeping outsiders out.

As for AT&T, its interest would lie mainly in telecommunications, where a link with GPT, the joint GEC-Plessey telecommunications company, would provide a bridgehead in Europe. Although AT&T is the world's largest producer of telecommunicationse quipment, its efforts to enlarge its share of non-US markets have so far had disappointing results, despite the alliance with Philips. Attempts to buy into the French and Italian markets have so far proved unsuccessful.

For Siemens, the West German group, the main target in the UK is also GPT, although there are plenty of other activities in both Plessey and GEC that interest it.

Alsthom is, like Alcatel, part of Compagnie Generale d'Electricite. The proposed GEC-Alsthom deal in power engineering would create a genuinely European group, with powerful positions in France, the UK and several exports markets. It would also bring into being a strong challenger to the international alliance put together by Asea of Sweden and Brown Boveri of Switzerland, as well as to Siemens, West Germany's main manufacturer of power stations.

Thomson, the French defence electronics company would lend itself to an alliance with Plessey because the two companies have worked together for several years in various fields – although at times they have equally been in direct conflict.

The French authorities have been less anxious about monopoly considerations in the development of the defence industry, allowing Thomson, which is State-owned, to concentrate most of the country's high technology military production in its own hands. As a result, Thomson is the unparalleled European giant in defence electronics, with sales estimated at around $5bn, and strong technology in the radar and communications fields. It has also invested heavily in semiconductors, an area where Plessey is strong.

This week the Office of Fair Trading is due to recommend to Lord Young, Trade and Industry Secretary, whether the GEC/Siemens bid for Plessey should be referred to the Monopolies Commission. The reference in 1985 – and subsequent rejection by the Commission – was based mainly on objections from the Ministry of Defence which felt that the deal would jeopardise its policy of promoting competition among defence contractors. It is not clear whether these objections would apply equally today. GEC would almost certainly be willing to sell off those bits of Plessey's defence business, for example in radar and communications systems, which posed competition problems. But it may not yet have convinced the Ministry about its plan to run Plessey separately from Marconi after the merger.

More generally, news of the proposed consortium bid has aroused predictable fears among politicians that a very large and important British company might fall under American control and that this must be stopped by means of a reference to the Commission.

It is not easy to see how the involvement of a major American company would in itself be a ground for reference to the Commission. While the Government is well aware of the need to give a more European dimension to British industry in the context of the 1992 programme, it would hardly wish to discriminate against the Americans.

It is at least possible that there will be no interference from the competition authorities in these bids and that the decision will be left to shareholders. When GEC made its bids for AEI and GEC, the then Labour Government did not make a reference to the Monopolies Commission, because it wanted the bids to go ahead. In this case the pressure on the Government to "do something" will be intense, posing an interesting test of its non-interventionist principles.

The key companies

● GEC
Britain's largest electronics group with 1987-88 sales of £6.2bn. Main strengths lie in telecommunications, power generation and defence electronics, where its Marconi division ranks as second largest producer in Europe after Thomson of France.

● PLESSEY
Second largest UK defence electronics company. 1987-88 sales were £1.3bn. Since defeating GEC's last bid in 1986, Plessey has strengthened its defence business with a series of acquisitions in North America. It has doubled its semi-conductor operations by taking over Ferranti's chip making and moved into data networking and computer software by buying Hoskyns.

● SIEMENS
With Philips of the Netherlands, one of Europe's two top electronics groups. The German giant (workforce: 350,000) has recently moved aggressively to develop its world position with large investments in semi-conductors, the combined bid with GEC for Plessey and its takeover of Rolm telecommunications in the US.

● STC
Has emerged as one of Britain's most effective high-tech groups. Controls the ICL computer company and has struck up a strong partnership with Canada's Northern Telecom, reinforced by Northern's large equity stake in the group.

● THOMSON
France's national champion in defence and consumer electronics. One of the world's top suppliers of radar and military communications.

● CGE
Has agreed to merge its Alsthom power engineering division with GEC's to create one of Europe's largest cross-frontier forces in the field.

● GE
The US industrial heavyweight has been watching closely the carve-up of the European power generation industry.

● AT&T
The world's largest telecommunications group has been after a European acquisition since it was broken up in 1984.

OBSERVER

Wax works, sometimes

■ One place where George Bush has not made out very well is Madame Tussauds.

I was disappointed to discover on a visit to the waxworks last week that the future leader of the western world is, frankly, unrecognisable. The shape of the head, the looks, the whole bearing seem to have misfired. I can't even suggest someone he might be mistaken for.

This tended to confirm a prejudice I have always had that Madame Tussauds' likenesses leave something to be desired. There are few accomplished renderings among the present batch from the royal family and contemporary politicians, notably Harold Wilson whose uniquely round face comes out plum-shaped.

The best group is of leading churchmen where the Pope, Runcie and Tutu are successful. The Gandhi duo, mother and son, is also very accurate; there is something about the wax which favours the smoother skins of Asia and Africa.

What is excellent about the exhibition, though, is the casualness of the display; one literally mingles with famous figures, and gets a sense of their personal aura. It's a good way of discovering what a huge man Chancellor Kohl is, and how short President Mitterrand.

Isn't it fun?

■ For several thousand people, the outstanding sporting event *this week-end was not on the football pitch, but at Days* Lock on the Thames in Oxfordshire where the 5th Interna*tional Pooh Sticks Championships were held yesterday.*

A. A. Milne devotees will know that Pooh Bear liked to *drop sticks into the river from one side of a bridge and race* to the other side to see which came through first. Such was yesterday's contest where competitors used specially painted sticks over a 20ft course in the hopes of a world title.

"It's the last civilised sport in the world" said the organiser and lock keeper, Lynn David. "No anabolic steroids, nothing like that at all."

The winner was Susie Fisher from Hampshire, and the event *raised £943 in aid of the life*boats. David advises Londoners that the hundreds of painted sticks will reach Tower Bridge sometime tomorrow afternoon.

Vive le roi!

■ In this 1789 bicentential year, the French are showing that monarchist yearnings lie not *far below their revolutionary* skins.

In a poll at the end of a TV show recreating the trial of Louis XVI, viewers recently voted overwhelmingly to acquit the poor king who lost his head two centuries ago.

Sir James Goldsmith, who has always had a knack for good investments, has acquired control of the French magazine Point de Vue et Image which specialises in royal tittle-tattle.

But the growing craze for royalty has now spread to President Mitterrand himself. For the past few months, the French press has enjoyed depicting the socialist leader as a monarch enthroned in *the Elysée Palace, surrounded by his court of advisers and* cronies. A satirical TV series inspired by the Muppets has *also elevated him from the rank of Kermit the Frog to* God.

Mitterrand has always been *a little ambiguous about the* status of his presidency. On the one hand, he is said to have been irritated at being *depicted as a socialist Roi* Soleil; on the other, he is obviously hugely enjoying the powerful position into which last year's election victory has elevated him. When he invited the press for a New Year toast at the Elysée, he listed his "Seven Commandments" for the economic success of France.

"Let me make one small remark," he added. "Can anyone quote a single instance of abuse of power since 1981? All the rest is indifferent to me."

"Anyone got an aspirin?"

Contact man

■ The Foreign and Commonwealth Office has a well-developed view of the world, and *suggestions that its policies* might be ill-advised risk being dismissed as "unhelpful". But deep down, the mandarins of King Charles Street *admit that* others might have a legitimate view too.

*It is the task of a special department, the Policy Plan*ning staff, "to keep in touch with things happening outside *the FCO, to make contact with unofficial opinion and to think* strategically," in the words of one official.

To be able to indulge in such intellectual adventures and communicate with strange human beings on the other side of the tracks, like Chatham House or the International Institute of Strategic Studies, is an opportunity relished by FCO high flyers. The new head of Policy Planning staff, 41-year-old bachelor Robert Cooper, is particularly well qualified.

A former head of Far Eastern department and a fluent Japanese speaker, he is said to have a flair for ideas and lateral thinking. What is more, he has a musical ear, a special love of Mozart and at least one close friend in the outside world, the famous Japanese pianist Mitsuko Uchida.

Sutherlanded

■ Peter Sutherland, Ireland's EC commissioner in charge of competition policy over the last three years, is the latest recruit on to the board of GPA, the world's leading aircraft leasing group based at Shannon.

Sutherland will have some high flying colleagues there, including Shinroku Morohashi, president of the Mitsubishi Corporation, Garret FitzGerald, former Irish prime minister, Lord Keith, once head of Rolls *Royce and Hill Samuel, and* Sir John Harvey-Jones, past ICI chairman.

Could this be the same Peter Sutherland who, privately, has been known to wonder whether it was entirely a good thing that big Irish companies like GPA sucked up so much *available Irish talent?*

Neat work

■ Commuters on Network *SouthEast's notoriously* unreliable Reading line have been entertained by a trackside sign which has been carefully *altered to read Notwork South-*East.

Steven Butler looks at the position of BP after its encounter with the KIO

Anxious to get back on course

Sir Peter Walters is a methodical man who became chairman of British Petroleum in 1981 saying he planned to transform the giant oil group within 10 years, and then retire. Last week, sitting confidently in his office in the City of London, he declared the task nearly done.

The gentle whoosh of air through the air-conditioning ducts could easily have been mistaken for a restrained sigh of relief. Having seen off the Kuwait government by agreeing to buy back 13 per cent of BP's total share capital for £2.4bn – financing it by selling BP Minerals to RTZ for an equal sum – Sir Peter could finally sit back and count up his achievements. "The deck is clear now," he said.

Sir Peter's plan when he came to office was to strip out the rubbish in BP's collection of assets, to refill the portfolio with solidly performing oil businesses, and to broaden the share ownership of the company while eliminating the government holding. Most of this has been accomplished.

The past 15 months, however, have decidedly not gone according to Sir Peter's plans. BP has paid a high price to regain a sense of control over its destiny. It has been the victim of one of the most spectacular share flops in stock market history when the Government sold its one-third stake in the company during the 1987 October Crash, only to have the Kuwait Investment Office (KIO) acquire 22 per cent of the company.

This is not a price that BP shareholders will have to bear directly. Indeed, last week's back-to-back deals leave shareholders with a higher asset backing per share, since reduction of share capital was proportionately greater than the value of assets sold.

The price paid is that BP's strategic flexibility has been cut. By selling BP's minerals businesses, it has spent most of its firepower. It will have the same amount of net debt after the deals, but its gearing, the ratio of debt to debt plus equity, will rise from 37 to 42 per cent. This is well above the 30 per cent level that BP has said would be comfortable.

BP is in no trouble because it has a healthy cash flow. It plans to bring the debt level back to the high 30s within two years. Mr David Simon, managing director in charge of finance, says, that given a year's notice, BP could raise $2bn for acquisitions. "I do not find the view that we are fundamentally strapped in our balance sheet with a high 30s debt ratio acceptable," he says.

Still, the aggressive predator and bold corporate restructurer that the oil industry has come to know is likely to grow relatively quiet until its stores of ammunition can be restocked. This will take time.

BP suffered a shower of criticism that it paid too much for the deal, giving the KIO a 22 per cent premium on the market price at 305p a share, including refunded Advance Corporation Tax that BP will have to pay.

The debate must in the end, however, swing on whether BP made the right decision initially in seeking to force the KIO to reduce its potentially controlling stake of 22 per cent to below 10 per cent.

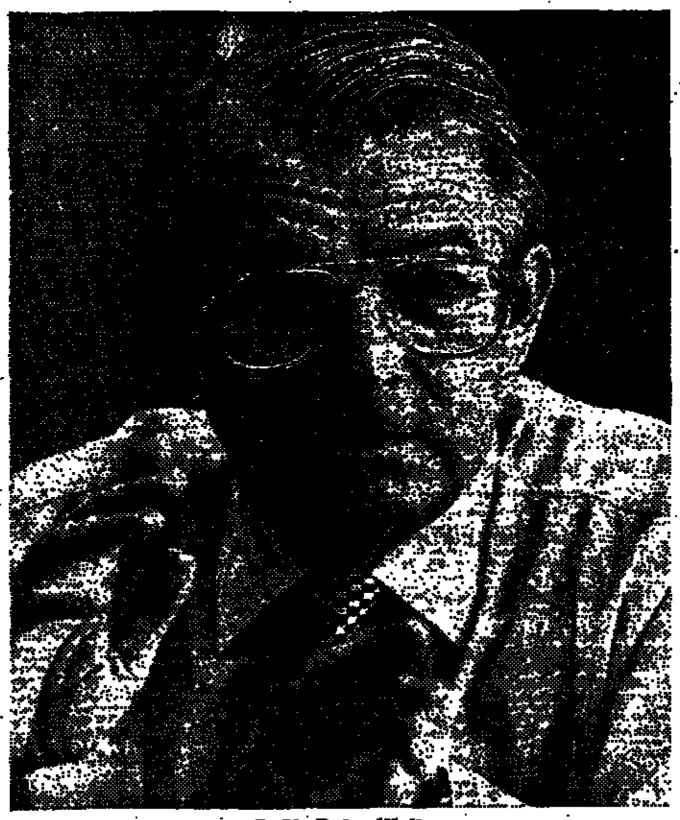
A 22 per cent premium to a current, uninflated, market price is not an inordinate amount to pay for whittling down a controlling stake and the KIO is not unreasonable to demand it. BP calculates that the price comes to about $4 a barrel of oil in the ground, cheap by the standards of recent asset sales.

Sir Peter says that the critics are confusing cost with value, and that BP shareholders actually got a bargain, both on strategic and value grounds. This raises the further question, however, of why BP should not, like Exxon, the US oil company, buy back shares from other shareholders.

It is something to which Sir Peter says he has given a good deal of thought. But, aside from the tax disadvantages for a British company, he has decided against because BP still has better ways to spend its money, in the oil business.

The furore over the KIO stake has to some extent obscured a transformation of BP in the past several years. This has revolved around Sir Peter's twin watchwords of "selective excellence" and "critical mass" – meaning BP will pursue businesses where it can sustain a comparative advantage and be a significant player in a particular market.

It is not the originality of these ideas that has distinguished Sir Peter's tenure, but the decisive manner in which



"The deck is clear now": Sir Peter Walters

he has enforced them throughout BP's huge empire. He began in the early 1980s by chopping refining capacity out of BP's European operation, turning a $1bn annual operating loss into a $1bn annual profit in 3½ years.

Since the start of the decade, BP's European refining capacity has been cut by 57 per cent, and BP now sells more fuel in Europe than it refines, allowing other refiners to absorb most of the losses associated with Europe's persistent excess capacity. A severe pruning operation under the direction of Mr Robert Horton, now a BP managing director, cut loss-makers from BP chemicals.

The quest for value, as Sir Peter puts it, has even extended to difficult-to-quantify areas such as research and development, where managers and scientists are expected to show regularly how their work earns BP a profit.

Filling up the portfolio has consisted mainly of two big acquisitions: the $7.8bn buyout of the outstanding 45 per cent minority interest in Standard Oil in the US in 1987, and the £2.5bn takeover of Britoil in the UK early last year.

The full takeover of Standard Oil has allowed BP to integrate its US operations under the umbrella of BP America, and to halt a disastrous exploration programme in which the former management of Standard Oil wasted billions of dollars searching for oil in the lower 48 states of the US. Fifty per cent of BP's assets are now in the US, where BP has the biggest oil reserves of any company.

The acquisition of Britoil gave BP a huge spread of acreage in the North Sea with which it can combat its declining production profile. Although BP says it can maintain its current production of 1.7m barrels a day until the mid 1990s, its two main oil fields, Forties in the North Sea and Prudhoe Bay in Alaska, have both peaked.

The point, Mr Simon says, is to search not for barrels, but for value. BP spends money to improve exploration technology to bring down the cost of finding oil, and will continue to explore so long as it looks profitable within BP's broad expectations that oil prices may fluctuate between, say, $10 and $22.

After that there are other ways of spending the $6bn annual capital expenditure budget for the next three years. BP America took a toehold in the US west coast market in the autumn when it bought a refinery from Mobil in Washington state and traded assets for service stations in Washington, Oregon, and northern California. Further significant expansion in the region is in the works.

BP Chemicals, recently the source of strong profits growth, is poised for expansion in the US and in Southeast Asia. It will base its growth on products in which, BP believes, its proprietary technology will see it through the industry's severe cycles.

BP coal and nutrition may both end up sold at some point. Coal because BP has yet to identify any real comparative advantage in the industry, although it still makes a return, and nutrition because it falls outside the core business of BP.

There are several potentially exciting areas in which BP currently has virtually no business. It recently signed a joint venture with Petroleos de Venezuela to market liquid fuels in Europe made from Venezuela's vast reserves of heavy crudes. This complements BP's extensive heavy crude reserves in Canada; it is planning to exploit the fields, then pipe the fuel out.

Another area for future development may be opened up by new technology to produce liquid transportation fuels from natural gas. This may provide a profitable use for the company's huge gas deposits on the North Slope of Alaska, which currently are not even booked to BP's reserves.

The work that Sir Peter began is clearly not finished. Particularly disappointing is the failure, because of the Crash, to achieve significantly wider share ownership, both in Britain and overseas.

Yet when he leaves office in the next year or so, probably to be succeeded either by Mr Horton or Mr Simon, Sir Peter need not worry excessively that BP is, for the moment, short on financial firepower. The important work of restructuring is done, and a strategic direction established.

LOMBARD

The Statistical Office takes on the Treasury

By Samuel Brittan

CONNOISSEURS of Whitehall in-fighting might like to look at the examination of Mr Nigel Lawson, the Chancellor of the Exchequer, by the House of Commons Treasury Committee on last November 30 (Questions 264-267, printed in the committee's First Report, December 14 1988, HMSO £12.20).

They might then like to turn to a paper by Mr Bruce Buckingham of the Central Statistical Office (CSO), given at a conference on December 7, on UK international trade statistics (obtainable from Ian MacLean, IMAC Research, Lancaster House, More Lane, Esher, Surrey).

The two pieces of evidence were given independently of each other. Yet the paper of Mr Buckingham, (who is head of the CSO's balance of payments division) reads like a CSO reply to Treasury assertions that the current balance of payments deficit is overstated in the official figures.

The basis of the argument is well known. It lies on the enormous "balancing item" of unrecorded receipts and payments which has nearly always been positive over the last decade. The balancing item must consist of unrecorded overseas earnings, unrecorded net capital inflows or some mixture between the two.

If the whole of the balancing claims consisted of unrecorded exports, visible or invisible, then the current account would still be in slight surplus. The downward trend would remain.

Indeed, the swing from the 1985 peak would be even greater. But it would be a swing from a large surplus to a much smaller one. The very high deficit numbers which have excited the shock horror headlines would be erased.

The balance of payments gap is only one of several balancing items in the national accounts. Added together, their net sum is the difference between the income and expenditure measures of GDP (gross domestic product), which has now reached the high level of 3½ per cent of GDP.

The Treasury does in fact produce constituent national income estimates, eliminating all the balancing items, for its own internal analysis and projections. It came within an inch of publishing them in the Autumn Statement. The Department would enlighten public discussion if it took its courage into its hands and actually did so in the forthcoming Budget Red Book.

Meanwhile, the Chancellor has already told the Treasury Committee that "the enormous residual error makes things look much worse than they are." His economic adviser, Sir Terence Burns, pointed out that if the current deficit was correctly recorded and the balancing item represented unreported capital inflows, then there would have to be a very large private sector deficit indeed to make all the sectoral balances add to zero, as they should.

In fact official figures showed the private sector in rough balance. Sir Terence accepted that some of the errors might be in the private sector balance. But it was implausible that they all were; and he believed that the current deficit would have to be corrected downwards.

Mr Buckingham, on the other hand, states that the evidence does not support the view that the current balance is understated in the official estimates. As one would expect, he starts from the individual balance of payments components. Visible trade exports are regarded by the CSO as among the most reliable of statistics. Invisibles are among the least reliable. But revisions in the past have been in both directions with no particular bias. On the other hand he gave definite reasons for expecting capital inflows to be under-recorded.

There is, of course, a notorious "black hole" in the world balance of payments, which, instead of summing to zero, produce a negative total, suggesting that the world has a deficit with itself. But Mr Buckingham cited the International Monetary Fund (IMF) study of the subject as evidence that the major discrepancies either did not apply to the UK or actually led to over- rather than under-estimation.

The Treasury has in reserve a "Heads I win, tails you lose" argument. This is that, if the private sector is in as large a deficit as the CSO interpretation implies, the private sector will have to put its affairs in order fairly quickly – in which case the current account deficit should turn down fairly smartly.

What should the non-statisticians make of all this? Neither Nigel Lawson nor even Sir Terence Burns has ever met Bruce Buckingham, so the argument has never been fully joined.

In the meanwhile, we need not lose too much sleep. All that is known for sure is whether the Bank of England has to spend reserves or take in reserves in its foreign exchange market intervention. The reserve figures have been affected by official borrowing and lending; but the upward trend shown in the table is genuine.

In that basic sense there has always been a surplus; and how the statisticians choose to allocate private sector flows between current and capital transactions is just interesting background information.

For most of human history until the Second World War, there were virtually no official figures at all for the balance of payments. We had just the customs returns for exports and imports, compiled on incomplete bases, and no one was any the worse off for it.

UK CURRENT ACCOUNT

£bn	As published	Balancing item	Official Reserves ($bn)
1979	-0.5	+1.0	22.5
1980	+3.1	+0.6	27.5
1981	+6.9	+0.3	23.3
1982	+4.7	-2.4	17.0
1983	+3.8	+0.5	17.8
1984	+2.0	+5.6	15.7
1985	+3.3	+5.5	15.5
1986	-0.2	+14.8	21.9
1987	-2.7	+5.0	44.3
1988*	-12.3	+16.4	50.5

* First three quarters at annual rate

Source: CSO

LETTERS

'Bad managers are like drunk drivers'

From Mr Philip Turner.

Sir, Allen Sykes's article on "bid-proof companies" (January 4) is interesting, not least because Consolidated Gold Fields (Mr Sykes's employer) was itself considered a bid-proof company until the owner bit the dog, as it were.

I venture that he is quite right in underlining the need for managements to feel the lash from outside their organisations if they are inefficient or complacent. The real point is that when poor managements are in command they tend to promote their clones.

It would indeed be a miracle for a bad incumbent management to volunteer to replace itself with a better one. Like drunk drivers, they are capable of immeasurable harm yet are inclined to think of themselves as rather snazzy performers.

Internal regeneration of management takes an age, and is often just too late. A benefit of takeover is that the effect on senior management – and hence the management culture – is instant (or should be for the acquisition to be effective). Far too little attention is paid to this vital aspect of the current battles for corporate control. Let us not regulate away this vital catalyst to progress.

Philip G. Turner,
Wassall,
180 Brompton Road, SW3

British Gas could stifle competition

From Lord Ezra.

Sir, Certain industrial gas consumers are reported (December 19) to be objecting to proposals that British Gas should publish a fixed schedule for gas prices.

The main thrust of their argument appears to be that independent gas suppliers would have less incentive to offer competitive prices against the fixed prices of the public supplier.

This argument fails to recognise that British Gas holds a totally dominant position in gas supply, and, without a publicly disclosed price schedule, would be free selectively to undercut any potential competitor.

Thus competition could be stifled at birth.

A British Gas fixed price schedule is one of three crucial requirements for the development of effective competition in industrial gas supply.

The other two requirements are: first, the ready availability of gas from the North Sea, and indeed from other sources, to competitive interests; second, access to the UK gas distribution network on fair and reasonable terms.

The Monopolies and Mergers Commission and Ofgas are to be congratulated on seeing these issues so clearly.

Derek Ezra,
Associated Gas Supplies,
59 Markham Street, SW3

London's congestion need not be the UK's problem

From Mr P.J. Pettigrew.

Sir, I refer to your editorial "The Politics of Congestion" (December 22 1988).

The solution to London's congestion problems are not to be found within London at all. London's problems are the inevitable ones of "cumulative causation" whereby the most favoured economic location grows at the expense of other areas because of increased agglomeration economies, technological innovation, financial and business services.

The fact now is that London is past its optimum size – the marginal costs of further population growth in the south east of the UK now exceed the marginal benefits. So why should tax payers outside the south eastern region subsidise in any way London's transport system, when such a solution would be plainly inefficient?

You make the south east sound wonderfully charitable: "Londoners have helped finance massive investment in the rest of the UK (such as motorways)". Apart from objection that this classes other areas of the UK as mere colonies of a "core" state (the south east of England), it ignores the reasons for this investment by the "core".

Was it really to stimulate the accessibility and economy of the regions, or to facilitate further economic hegemony of the south east over the rest of Britain by making it easier for "northern" markets to be served by companies in the south east?

Surely a market solution should be followed, whereby no "artificial", publicly funded expenditure should be considered for the capital city. This would encourage the free movement of capital and labour to more efficient, congestion-free locations.

Not only would this liberate London from the dis-economies of congestion, but also provide an important growth stimulus to other regions, where it is hard to sympathise with London's plight.

P.J. Pettigrew,
Mid Wales Development Board,
Ladywell House,
Newtown, Mid Wales.

Support for the RPI

From Mr David Lea.

Sir, I hope Samuel Brittan realises the damage he is doing by his continual sniping at the Retail Prices Index (January 5).

In contrast to the position in some countries, everyone in Britain – certainly in industry, and among consumers – has hitherto accepted the RPI as an unquestioned reference point.

Samuel Brittan does not make the point that owner occupied housing costs do feature in the index in all the major industrial countries. The fact that in most cases this is not through mortgage interest payments is explained by the important role of the building societies in Britain, and the demise of the private rented sector.

Users of the index – including the Trades Union Congress (TUC), the Confederation of British Industry (CBI) and consumers' organisations, which all supported the advisory committee's recommendations – believe that it would be most unfortunate if the RPI were to become a political football, and put in the same category as employment statistics, whose credibility has now been undermined by political interference.

If Samuel Brittan and others of like mind were to succeed in undermining the credibility of the RPI, the likely result would be a myriad of indices supported by different interests. A more damaging contribution to the national economic debate would be hard to envisage.

David Lea,
Trades Union Congress,
Congress House,
Great Russell Street, WC1

Eggs in the EC

From Ms Clara Meijers.

Sir, The continental observer of the British "egg happening" is first of all struck by the complete lack of the European dimension in the discussion. The UK seems to ignore that it is a member of the EC; that there is a common European market for eggs (as for poultry); that the market regulation specifically prohibits interventions in the market – apart from the general EC rule against national subsidies.

Exceptions are possible. But, in the case of the egg market, only when motivated by a threat to public health. The Minister of Agriculture keeps reassuring the British public that no such risk exists. (Experts and lawyers in his department must have puzzled for days to find a solution for this dilemma – another reason, probably, for the time taken before the Government could announce its scheme.)

The authorities in Brussels usually show enough tact to avoid increasing government embarrassment in like cases: they react slowly. But this does not alter the illegality of the measures. The possibility exists that parties on the continent will claim damages from the UK government. For instance, some producers could argue – correctly or not – that the killing of 4m birds shook confidence in their poultry market also.

The FT's Observer seems to draw the right conclusion (December 20): "these are deep waters, and we have not seen the bottom yet."

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FINANCIAL TIMES
Monday January 9 1989

Janet Bush on Wall Street

Customer friendly currencies

JUDGING BY the widespread bemusement within the big New York banks, a decision by the US Federal Reserve finally to allow Americans to hold foreign currency deposits in the US has no dramatic implications for their business.

In fact, the impetus behind the Fed's ruling came not from New York but Chicago, and not from banks with large retail customer bases but from financial institutions active in trading foreign currency stock index futures contracts.

The Federal Reserve Bank of Chicago put in a request to the Board after inquiries from local businesses. As so often in cases of innovation of the US financial system, the Chicago Mercantile Exchange had a hand in the lobbying.

It believes, that the Fed's ruling will enhance Chicago's role as an international financial centre, according to Mr William Brodsky, president of the CME.

The key advantage to holding foreign currency deposits in the US is in the settlement and clearance of futures and options contracts denominated in foreign currencies.

Examples are the recently approved Nikkei 225 contract, denominated in yen, which is expected to start trading on the CME in the second half of this year, and the futures contract to be based on the Morgan Stanley Capital International United Kingdom Stock Index, which is denominated in sterling and is still waiting for regulatory approval.

Mr John Davidson, senior vice president of the CME's clearing house division, said the ruling will cut the cost of setting up banking relationships. As things stand, the exchange's 82 clearing members would have to set up bank accounts overseas in Tokyo or London to clear and settle this kind of futures trade.

That alone is not a big problem, particularly for large institutions well known to credit officers in London and Tokyo and which enjoy smooth banking relationships.

However, there are some smaller Chicago-based institutions – such as those specifically involved in clearing futures transactions on the floor of the CME – which are not well known abroad and find it more difficult to establish the right kind of credit profile at overseas banks.

The second aspect which Mr Davidson points to is a feature of US regulation which means that the customers of a financial institution are given maximum protection from any bankruptcy of that institution. This appears particularly important when that institution is heavily involved in trading volatile futures markets.

Commodity Futures Trading Commission regulations require that funds held at banks by clearing members are "preserved for the benefit of customers." Clearing members also waive the right of "set-off" so that the bank is not allowed to use funds held on account for the customers, say, of Merrill Lynch to offset a debit in Merrill Lynch's own account with the bank.

These regulations are not matched in overseas financial centres. Mr Davidson said: "From a regulatory point of view, there is a certain comfort in banking in the US."

Several questions remain unanswered by the two paragraph notice of the Fed's ruling. The question of exact rules on the transfer of funds will speed up clearing and settlement across national borders.

There is also the question of whether or not banks' retail customers will start holding yen checking accounts.

Mr Stephen Leach, a currency analyst at Chemical Bank, believes that the new facility could be useful for a limited number of bank customers. He sees an advantage, for example, for a middle-sized US company doing a little international trade and which may have to make intermittent payments to a Japanese agent at various times and for differing amounts and, therefore, will find it difficult to hedge using futures contracts.

"For this kind of situation, the Fed has removed the hassle of having to open a bank account in Tokyo. The company can now deal with its local friendly money centre bank in the States. It removes the sense of foreignness," Mr Leach said.

Few commercial bankers believe individuals will use foreign currency accounts for currency speculation although there is a minor hedging implication. In theory, there is some use in having a D-Mark account if the dollar is falling and you are planning a beer drinking holiday in Bavaria.

Reagan unveils 'dead-before-arrival' budget

PRESIDENT Ronald Reagan, in what is almost his last broadcast to the American people, gave a five minute talk on Saturday on the $1,150bn budget for fiscal 1990 which he *submits to Congress today, writes Anthony Harris in Washington.*

In cash terms, it is close to the "flexible freeze" which President-elect George Bush has adopted. It represents a 4.5 per cent rise on the 1989 budget, near the expected rate of inflation. But the details are solid Reagan.

It will be something of a nostalgic occasion. The President's last three budgets have been pronounced "dead on arrival" as soon as Congress had a chance to inspect them. But this one is dead before arrival: Mr Bush has announced that he will present his own amendments, reflecting new priorities, within two or three weeks.

The President has therefore used the occasion, it is reported, to offer again all the pet projects which Congress has rejected in the last eight years. They include the abolition of a long list of Federal agencies, the end of subsidies to the railroads and privatisation proposals, amounting to a political testament of unfinished business. The Budget also contains a reported 2 per cent real increase in defence spending, including more for the much-treasured Strategic Defence Initiative.

This will make it all the harder for Congress to swallow the one feature of the Reagan budget which seems almost certain to be adopted by Mr Bush: projections which show a deficit of under $100bn with no tax increases.

This, according to Congress, represents what ought to be the final appearance of a familiar character in these arguments: Rosy Scenario. The Reagan projections include sustained growth combined with sharply lower interest rates, a conjuncture which almost nobody thinks likely.

Boom in foreign and business students helps UK universities

By David Thomas, Education Correspondent, in London

DEMAND BY foreign students for a British university education is booming and the universities have compensated for a squeeze in government funds by financing more of their staff from outside sources, including industry.

These are some of the key findings of the annual review of students and staff at British universities published today by the University Grants Committee, which channels Government funds to the universities.

The review also shows that British universities have been attracting more students from non-traditional backgrounds by encouraging more part-time and mature students.

There were 250,700 full-time undergraduates in British universities in 1987-88, 1.7 per cent up on the previous year.

Almost 40 per cent of this increase was accounted for by foreign undergraduates, now totalling 22,200. This is 9 per cent more than the previous peak reached in 1979-80, the year before the UK government forced the universities sharply to increase overseas' student fees.

The universities have been equally successful in attracting foreign postgraduates, who last year made up more than 40 per cent of the 54,700 postgraduate students in British universities. Foreign postgraduates increased by 3.2 per cent, while British ones declined by 2 per cent on the previous year.

Foreign postgraduates now outnumber their British counterparts in the engineering, business studies, architecture, medical, dentistry, veterinary, and agriculture departments of British universities.

Demand for British university education was particularly *buoyant last year* from Hong Kong (4,736 students), the US (4,224), Malaysia (3,839), Greece (1,749), Singapore (1,749), West Germany (1,544), Norway (1,221), Nigeria (1,082) and Iraq (1,009).

There were 47,674 full-time academic staff in UK universities last year, an increase of 1.4 per cent on the previous year and of more than a tenth since 1982-83.

However, these figures hide a drop in the number of full-time staff funded by the UGC of 0.5 per cent last year and 1.2 per cent since 1982-83. This gap was more than bridged by a jump of 5.2 per cent last year and 43.5 per cent since 1982-83 *in the full-time* staff funded by other sources.

Last year, 16,413 staff, more than a third of the total, were funded from non-UGC sources. Most of these were dedicated to research and many were on short-term contracts.

Part-time undergraduates have increased by 32 per cent since 1982-83, although they still number only 9,900. Part-time postgraduates increased by more than a fifth to 36,135 over the same period.

University Statistics, 1987-88: Vol 1. Students and Staff. Universities' Statistical Record, PO Box 130, Cheltenham, Glos, GL50 1JW. £11.

An anti-imperialist group of 600 students and trade unionists demonstrate against the Japanese throne in Osaka yesterday. *The banner reads "Don't need Emperor"*

UK cabinet braced for furore over GEC bid

By Philip Stephens, Political Editor, in London

UK GOVERNMENT ministers were yesterday bracing themselves for a political furore if the suggested bid for GEC by a Plessey consortium materialises later in the week.

Ministers at the Department of Trade and Industry made no official comment, but Conservative backbench MPs quickly joined the Labour Party in demanding that any such takeover be referred to the Monopolies and Mergers Commission.

Mr Bryan Gould, Labour's trade and industry spokesman, said that he would be pressing for a government statement when the House of Commons returned from the Christmas recess on Tuesday.

Ministers believe that the possibility of GEC falling under foreign control would revive the intense controversy over the ownership of key defence industries which sparked a political storm during the Westland affair two years ago.

Apart from the implications for national defence, the Government would face pressure to assess the likely impact on employment in the large number of GEC plants in Conservative constituencies.

In those circumstances Lord Young, the Trade and Industry Secretary, may find it impossible to resist political pressure for a reference to the MMC.

A takeover battle would involve a number of former cabinet ministers, including Mr Jim Prior at GEC and Mr John Nott at Lazards. The parallels with Westland, meanwhile, would be accentuated by the fact that Sir John Cuckney, the Westland chairman, is heading the new company which may bid for GEC.

Mr Michael Heseltine, the former defence minister who resigned over the takeover of the helicopter manufacturer by Sikorsky of the US, said yesterday that a bid for GEC should be referred immediately.

He said that the nature and financing of the potential puchasers of the company indicated that it would be broken up if the bid were successful. That would threaten the key technologies developed by GEC at a time when the European market was greatly expanding in the run-up to 1992.

Mr Kenneth Warren, the Conservative chairman of the Commons trade and industry committee, said that both defence and political considerations pointed to a MMC investigation.

Sir Leon Brittan, who also resigned from the cabinet during the Westland affair, declined to comment yesterday on the possible bid as he took up his new role as a member of the European Commission. His responsibility for competition policy means that he would prepare the Commission's reaction to a bid.

For the Labour Party, Mr Gould, said that an MMC investigation should be used by the Government as the basis for a much broader review of the shape of Britain's electronic and information-technology industries.

Changes in the structure of those industries were needed and some "galvanising" of GEC was long overdue, he said. But a restructuring should emerge as the result of a considered strategic review rather than as a result of the capricious and short-term market decisions.

Tributes arrive for Hirohito

Continued from Page 1

Minister, who left Tokyo on Friday to attend the chemical warfare conference in Paris and make official visits to Rome and London, was told to proceed with his missions.

However, feelings about the Emperor were nevertheless strong. Newspapers published extra editions and all television networks suspended regular programming. Commercial networks also suspended commercials for two days. Hundreds of thousands of people visited the Imperial Palace on Saturday and yesterday to pay their respects.

At least one man has committed suicide in sympathy with the Emperor's death. Mr Umanosuke Ue, 87, hanged himself in a barn near his home in Wakayama prefecture south of Osaka, saying in a note that he would follow his Emperor into death. Mr Ue had served in the Imperial armed forces and was proud that he was born in the same year as the Emperor.

The political and economic impacts of the Emperor's death are likely *to be minimal*, partly because it has been long expected. But a long schedule of Imperial succession rites over the next year could complicate the planning of political events.

The Emperor's death sets off a series of traditional religious transition ceremonies that will extend for almost two years and which are the subject of some controversy because of the church and state issue. Many people believe the government should not be involved in the financing of these ceremonies, some of which imply that the Emperor is a god.

For state purposes, Akihito has already ascended the throne. Also, on Saturday, he completed the first of three recognised state ceremonies, in which the traditional Imperial regalia, a sword, a mirror and a jewel, along with the Imperial and State seals, were transferred to him. The second ceremony, in which he gives an audience to the heads of the three branches of Government and 300 other people, will take place today. The state funeral is the third.

Little is known of Akihito's views on his new role. Many hope that he will make the Imperial Household more open and that his familiarity with the world – he has visited *more than* 50 countries - will influence favourably his behaviour. His first official meeting with foreigners will be on January 24 when he holds an audience with foreign diplomats.

The new Emperor and Empress will continue living at the Akasaka Palace in West central Tokyo for an indefinite period. The Empress Dowager Nagako, who is 86 and ill, will stay in the Imperial Palace.

Hirohito's body will remain in the Imperial Palace until the day of the state funeral. Then it will proceed by slow procession 6.5km through Tokyo the Shinjuku Gyoen, an Imperial park in the western part of the city for a ceremony consisting of a private religious rite and then the state funeral itself. After the funeral, the Emperor's body will be taken to the Musashi Imperial Mausoleum at Hachioji, west of Tokyo, for burial.

Although many foreign dignitaries are expected to attend the funeral, Japanese foreign ministry officials insisted yesterday that they would not take advantage of the occasion for diplomatic purposes.

There is a tradition in Japanese public life of declaring an amnesty for certain types of crimes, particularly dealing with election law infringements, on momentous occasions. The idea of an amnesty has been raised since Hirohito's death and a committee formed to study it. Analysts say there would be a public outcry if anyone associated with the Recruit financing scandal were given an amnesty.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	10	50	Malta	S	15	59	Rhodes	R	09	48
Algiers	S	17	63	Edinburgh	C	11	52	Manchester	C	10	50	Rio de J'o	C	34	93
Amsterdam	C	10	50	Faro	C	15	59	Manila	F	34	93	Rome	F	07	45
Athens	F	08	46	Florence	C	05	41	Melbourne	S	27	81	Salzburg	R	04	39
Bahrain	F	18	64	Frankfurt	C	07	45	Mexico City	F	24	75	San Francisco	C	10	50
Bangkok	F	33	91	Funchal	F	16	59	Miami	F	25	77	Seoul	R	07	45
Barcelona	S	11	52	Geneva	C	06	43	Milan	Fg	00	32	Singapore	F	32	90
Beirut	F	15	59	Gibraltar	S	16	61	Montreal	C	04	39	Stockholm	C	05	41
Belfast	R	10	50	Glasgow	R	11	52	Moscow	C	00	32	Strasbourg	C	07	45
Belgrade	C	02	36	Guernsey	C	09	48	Munich	R	04	39	Sydney	S	26	79
Berlin	R	05	41	Helsinki	C	01	34	Nairobi	F	25	77	Taipei	C	18	64
Biarritz	C	08	46	H. Kong	F	22	72	Naples	S	14	57	Tangier	F	17	63
Bombay	F	25	77	Innsbruck	R	01	34	Nassau	R	28	82	Tel Aviv	C	16	61
Bordeaux	C	09	48	Inverness	S	10	50	New Delhi	F	15	59	Tenerife	R	18	64
Brussels	R	11	52	Islamabad	F	16	61	New York	C	01	34	Tokyo	C	10	50
Budapest	C	-4	25	Istanbul	C	03	37	Nice	S	13	55	Toronto	S	07	45
B. Aires	R	35	95	Jakarta	C	31	88	Nicosia	F	16	61	Tunis	C	15	59
Cairo	C	16	61	Jersey	C	10	50	Oporto	S	13	55	Valencia	S	14	57
Cape Town	S	28	82	Jo'burg	C	23	73	Oslo	C	00	32	Venice	Fg	-1	30
Caracas	C	24	75	Lima	F	25	77	Paris	C	09	48	Vienna	R	05	41
Casablanca	S	18	64	Lisbon	F	13	55	Peking	F	00	32	Warsaw	Sn	01	34
Chicago	C	14	58	London	C	11	52	Prague	C	04	39	Washington	R	03	37
Cologne	C	10	50	Los Angeles	F	12	54	Reykjavik	C	01	34	Zurich	R	06	43
Copenhagen	R	03	37	Luxembourg	D	07	45								
Corfu	F	12	54	Madrid	F	11	52								
Dallas	F	03	37	Majorca	S	16	61								
Dublin	C	11	52	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gorbachev stands firm

Continued from Page 1

Mr Gorbachev admitted the *flood of criticism* at *the shortage* of goods and foodstuffs in the shops, the continuing housing shortage and the paucity of services. But he insisted that there had been improvements over the past year, especially in the engineering industries.

He blamed the chronic financial state of the economy, the imbalance between goods and money, and above all, the state budget deficit. "The situation did not just suddenly arise," he said. "It is perhaps the heaviest burden we inherited from the past."

He gasve a warning that further drastic cuts in state spending would be necessary, because of low world oil prices, losses to the budget and "unforeseen complications." Those were the nuclear accident at Chernobyl, the Armenian earthquake and "the fact that we suffered major losses in connection with . . . Afghanistan."

THE LEX COLUMN

GEC's ghostly followers

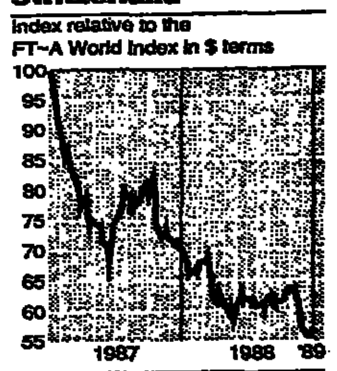
The cynical response to the proposed bid for GEC is to ask whether it exists outside the imagination of the corporate financier. Despite Lazard's claim that the bid need not involve Plessey, the fact remains that Lazard is Plessey's merchant bank. The most immediate threat to Plessey is that the Office of Fair Trading may clear the GEC/Siemens bid at the end of this week, and if the latest announcement makes the OFT's job more complex, it will have served a useful purpose.

But it nevertheless seems clear that something real is afoot. There is no reason to dispute Lord Weinstock's analysis of the upheaval going on in the European electrical and electronics industries. His own response, to proposedefensive alliances with Alsthom and Siemens, has evidently concentrated minds wonderfully, in both Europe and North America, on how to get at GEC while there is still time. Thus, General Electric of the US retained Rothschild to look *into the issue before Christmas*, and STC, as well as Plessey, is apparently involved in the Lazard project.

It remains stubbornly difficult to see how the attack is to be assembled. An accredited UK defence contractor has to be involved, and Plessey or STC would doubtless qualify. But both are minnows in a world of whales. *In teaming up* with Siemens to go for Plessey, GEC can plausibly claim to be big enough to hold its partner at arm's length, at least for the time being. If Plessey or STC were to join with a foreign heavyweight to go for GEC, they would surely find it hard to argue to the authorities that they were serving any purpose other than holding the door open.

As for the stock market, the immediate effect should be to put Plessey's and GEC's share prices on opposite ends of a see-saw. And all the while, the clock is ticking – not only on the Plessey bid, but on whether the Lazard camp can produce anything concrete in time to *stall GEC's defensive* tactics. It seems an odd way to restructure an industry, but better this way than not at all.

Switzerland
Index relative to the FT-A World Index in $ terms



Japan

It is a delicate business when financial markets decide to focus on something other than making money, and for months investors have been worried about how Tokyo would take to bereavement. In the event, the Emperor's passing could hardly have come at a less disruptive time: the market's official mourning lasted only a few hours on Saturday morning, and even its desire to appear decorous in grief should have been amply satisfied by the end of the week.

Japanese brokers have pledged to give up the hard sell for a while, and if they keep their promise trading volumes are likely to languish; even the most disrespectful of foreigners would scarcely be able to make up more than a tiny part of the shortfall. But if climbing nearly 10 per cent is what Tokyo does when it is trying to appear concerned about the Emperor's welfare – the Nikkei index rose from 27,550 when the late Hirohito fell seriously ill last September, to close at a near-record high of 30,210 hours before he died – it may be asked what it will do once it has cast off its mourning weeds.

It is well nigh impossible to find anyone in Tokyo willing to predict that the market will react to the resumption of normal life by falling very far over the next few months. Broker after broker recites the litany *of the market's advantages*: a strong economy, impressive corporate profitability, high liquidity, low interest rates, negligible inflation – the same old story as last year, along with a promise that equally favourable conditions will persist well into the new era. At present, the only potential worry is the yen; but for the moment, that looks the sort of obstacle which the market could easily surmount in the interests of greeting the new Emperor in celebratory style.

Switzerland

The outrage of international investors who lost £1bn ($1.79bn) or so in Swiss bearer shares late last year has given way to a state of expectancy that is hard to reconcile with the complacent mood in Zurich. Foreigners assume that Nestlé's bold decision to allow them to buy registered shares will force others to follow. Despite explicit denials from the most likely candidates, the market is apparently not convinced, and bearer shares are worth 15 per cent less than they were two months ago.

Having been surprised by Nestlé, this time investors are being *a little too knowing*. So far, there are no signs of any imitators, other big Swiss companies being more inclined to criticise Nestlé for having created such havoc than to be embarrassed into a similar spirit of openness. Indeed, the likes of Sandoz and Ciba-Geigy seem far more tyical than Nestlé in responding to global pressures by building rather than lowering defences. Meanwhile, some of the Swiss banks are cheerfully blaming the London market makers for their violent and ignorant reaction to the event.

Doubtless, hostility from overseas will eventually make change inevitable, but that seems years rather than months away. In the meantime, the Government is doing nothing to speed things along, with legislation on share ownership terminally stuck in the machine. Neither is the need for new equity exactly pressing; and with average corporate gearing in single figures, any company that does need money can survive comfortably on cheap and plentiful Swiss bonds.

The sight of Nestlé's share price may not prove persuasive either. Nestlé may have hoped that with artificial restrictions on ownership swept away, the discount of the registered to the bearer shares would narrow, and the value of the whole would rise. This was *true in the first day or two*, but subsequent manic switching between the two classes of shares has left capitalisation almost unchanged.

Gradually, foreign investors are forgetting their losses and returning to Switzerland, but despite recent strength the valuation of companies is desperately low. Nestlé now stands on a p/e of about 9, against about 12 for Unilever, while the yield on Credit Suisse bearer shares is higher than on government bonds. In the long term, such ratings may be a daunting obstacle to acquisition overseas, but in the short term they present a nice little opportunity. Given that nobody else wants to hold high-yielding and non-voting participation certificates issued at such high prices before the crash, the companies should buy them themselves.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Brent Walker sips a potent brew

Under the chairmanship of the colourful Mr George Walker (left), a former boxer, Brent Walker has been among the most dynamic of UK leisure groups over the past few years. In its most ambitious move yet, the company recently paid £500m ($895m) to buy two drinks businesses. But the deals have provoked criticism that it has paid too much to venture into an area of which it has little experience. David Waller reports. Page 22

Making money in Euro-insurance

There is much talk in the European insurance industry of a wave of mega-mergers ahead of 1992. But Nick Bunker argues in the Business Column that the real opportunity for insurers may not have very much to do with the traditional industry, and spending heavily on acquisitions in this area could prove a costly blunder. Page 36

High-coupon currencies attract Eurobond investors

A combination of attractive swap rates and continental demand for high-coupon currencies has produced a round of Eurobonds denominated in currencies offering particularly high coupons, such as issues in Canadian and Australian dollars. This is despite conventional wisdom that demand for fresh paper is just about sated. Norma Cohen analyses latest Eurobond market developments. Page 21

A unique auction in the gilts market

The Bank of England will conduct its "reverse auction" for up to £500m of short-dated gilt-edged stock this Friday. It should liven up what has been a quiet start to the new year for the gilts market. Page 20

Market Statistics

Companies in this section

Swiss group thrives by art of quiet persuasion

Mathew Horsman interviews Gérard Eskenazi, power behind Pargesa, the secretive management company

The knocks being taken by New York investment bank Drexel Burnham Lambert are reverberating in boardrooms from Geneva, Brussels and Paris to Montreal.

Drexel is a key component in a fast-growing transatlantic network centred on the secretive and influential Swiss management group, Pargesa Holding SA.

Besides Drexel, Pargesa has ownership ties with leading European banks, a number of large industrial corporations and Canada's Power Financial Corporation, controlled by Montreal businessman Mr Paul Desmarais.

While Drexel has been one of the most aggressive players on Wall Street, Pargesa has forged its spectacular growth – from nothing to assets of SFr1.58bn ($1.02bn) in six years – in the Continental style of quiet persuasion and personal contact.

Setting the tone is Mr Gérard Eskenazi, the company's 56-year-old co-chief executive and key architect. "It's not by capital alone that you control companies – it's by personal relationships," Mr Eskenazi said recently in a rare interview.

Among the warmest of these relationships is with Mr Eskenazi's personal friend, Mr Desmarais, whose financial services arm, Power Financial, has held a stake in Pargesa since 1982. Power intends to raise its holding to about 25 per cent from 18 per cent, pending approval from the Swiss Banking Commission, which would make the Canadian company the largest single shareholder.

Mr Eskenazi clearly welcomes Power's move. He is more reticent on the subject of Drexel which, in late December, agreed to pay $650m in fines and restitution arising from securities law violations.

Pargesa's 25 per cent interest in Drexel is held through indirect and direct stakes in Groupe Bruxelles Lambert and Lambert Brussels Associates. Prior to the settlement, analysts had speculated that Drexel's owners might have to come up with new funds to bolster the US firm's capital base.

However, Mr Eskenazi maintains that shareholders will not be required to make emergency capital injections.

"We have a great deal of confidence in Drexel's future and in their ability to overcome present problems," Mr Eskenazi says. "Furthermore, while the Drexel connection is very important for us, from an accounting point of view it represents only SFr200 to SFr250 per Pargesa share, or hardly more than 10 per cent of Pargesa's break-up value."

Joint chief executives, Albert Frère, left, and Gérard Eskenazi approach Pargesa as a 'family'

Among Pargesa's other holdings are stakes in Belgian oil giant Petrofina and France's fifth-largest bank Paribas. Pargesa and associates also control Groupe Bruxelles Lambert (GBL), owner of Banque Bruxelles Lambert; Banque Internationale à Luxembourg; merchant bank Henry Ansbacher Holdings in the UK; Société Industrielle de Banque in France; and Banque Paribas (Suisse) in Switzerland.

Pargesa earned SFr180m in 1987, up 9 per cent on the previous year. That follows compound growth in earnings per share of 29 per cent a year since 1982.

Growth faltered following the stock market crash in October 1987 and the company was forced to postpone an equity issue planned for Parfinance. At the same time, the slow post-crash market has hurt 1988 profits at Drexel, although good results in Europe should compensate.

Through it all, Mr Eskenazi says, "we never stop, we're always getting bigger, developing, diversifying and trying to be more profitable."

Mr Eskenazi is known as a consummate deal-maker. There's never a question of hostile takeovers, or high-profile stake-building. Instead, he looks for good management and solid assets. Then he negotiates.

He and his Belgian-born colleague, Mr Albert Frère, joint chief executives, both approach the Pargesa group as a "family," controlled as much by personal contact as by ownership ties.

"You can have 65 per cent of a company and still not have control," Mr Eskenazi maintains. "We want to have a strong influence on strategy, but not on day-to-day operations. Good business emanates from competence and confidence.

"Of course, you must have capital in order to have basic influence, protect your company from other influences and to recompense yourself for your efforts. But you don't need 100 per cent in order to be credible with your partners."

Formerly a shell company, Pargesa was reactivated in 1981 as a vehicle to protect the foreign holdings of Paribas, which François Mitterrand's Socialists nationalised in 1982.

In a complicated transaction, Paribas sold control of its Belgian and Swiss subsidiaries to Pargesa before the nationalisation was completed, to the fury of the French Government.

Subsequently, Paribas struck a deal with Pargesa to buy back a share of some of the assets. When Paribas was re-privatised last year, Pargesa bought 0.8 per cent of the bank's shares, increasing its stake to nearly 3 per cent in 1987.

With *l'affaire Paribas* behind it, Pargesa is gearing up for further expansion.

"The crash was helpful for us," Mr Eskenazi says. "Last September, when we were looking for acquisitions and when we had plenty of money to spend, we found that prices were very high. Now prices are much more reasonable."

He says the company is especially interested in US financial services and is looking at European companies likely to do well in the liberalised trading environment after 1992.

Gentleness is cheap, but kindness costs

By Anthony Harris in Washington

IT IS impossible not to feel a little sorry for President-elect Bush this week. A transition is always a trying time for the incoming president, who cannot respond to events without a long delay, but Mr Bush is the first who has had to confront a Russian master of Western politics who knows how to exploit the situation.

Mr Gorbachev has taken advantage of the Paris chemical warfare conference, and of the Libyan imbroglio, to play Mr Bush's own ace before he has even sat down at the table.

There is very much less in Russia's unilateral chemical disarmament than meets the eye. The Americans, too, have large stockpiles of out-of-date chemical weapons, many of them in a dangerous state of decay, and have been destroying them as fast as they can safely do so for some years. However, the Russian leader has once again stolen the headlines.

It will take all Mr Bush's new-found skills as a stump politician to respond to the Russian initiatives. If he was able to make the first move on chemicals and conventional arms, he could boast of peace through strength. When he is forced to respond to Russian initiatives, he becomes vulnerable on his own right wing. Colonel Gadaffi's friendly remarks about what he might be able to achieve face-to-face with Mr Bush carry the same domestic threat: an initiative might have looked strong, but a response would be harder to present.

The transition gossip suggests that he is already feeling exposed on this flank and it seems possible that Mr Bush will start his regime with some large but meaningless gesture to make the conservatives feel better. A pardon for Colonel North, for example, might fit the bill nicely.

Why, you may be wondering, is this political speculation appearing in what is essentially an economic column? The reason is simply that disarmament is a big economic issue. Indeed, according to current rumours, huge defence spending cuts are the core of the secret Bush economic agenda.

This possibility has been glaringly obvious since the first Reagan-Gorbachev summit, for it is clear that the cost of the arms race is at least a heavy embarrassment to the US, though not quite the pressing threat it is to the Russians. However, it is unsophisticated to expect great powers to see their own best interest in such simple bread-and-butter terms and so the games theorists and catastrophe theorists have until recently brushed aside the idea of massive disarmament.

However, at the moment it is being taken seriously by people who are usually rather well-informed. Indeed, a large article in International Economics, the magazine put out by two of the most consummate insiders in Washington, David Smick and Richard Medley, devotes a long article to listing the companies that will suffer.

Many of them, of course, also appear on other lists of those likely to be indicted in the Pentagon arms-procurement investigation, which is likely to run far into the next Administration. It should be possible to save a lot of money on defence at a minimal cost in fire-power and that is a declared aim of the Bush team; but that is not how quick savings can be made. Those depend on cancelling weapons programmes, not on procuring the weapons more economically.

The only clear signal from the President-elect has been ambiguous, to say the least. Mr Bush has already said that he is ready to run the risk of automatic sequestrations under the Gramm-Rudman law if he and Congress cannot reach agreement on the Budget. The automatic cuts bear heavily on defence and during the Reagan years this fact has put strong pressure on the White House to compromise.

By suggesting that he is less worried than Mr Reagan about the possibility of arbitrary defence cuts, Mr Bush may appear to confirm that he is a dove; but he can also exploit that appearance to transfer the moral pressure to Congress. Gramm-Rudman sequestrations would also bear heavily on a handful of social programmes highly valued by the Democrats, so a president ready to face the defence consequences can use Gramm-Rudman to restrain the spenders on Capitol Hill.

The President-elect is going to need all the help he can get, because though a gentler America might be significantly cheaper to run, a kinder one is going to be very expensive. The social problems that have got notably worse in the Reagan era – poverty, drugs, illiteracy, homelessness and urban decay – are all high-ticket items. There are also large expenditures to be acknowledged in tackling financial squalor.

In the thrift industry the costs are unavoidable, but have until now been concealed in off-budget issues of promissory notes and risk guarantees by the Federal Home Loans Bank. These evasions have now become a fruitful political scandal for Congress to investigate; there is a lot of hypocrisy involved, since Congress did at least as much as the Administration to create the problem. The Treasury is making a hasty study of solutions and seems likely to adopt those proposed by Mr William Seidman, chairman of the Federal Deposit Insurance Corporation.

Meanwhile, the legislators have a scapegoat in the shape of Mr Danny Wall, Mr Seidman's opposite number for the thrift industry, who is accused of making large effective gifts to financiers to secure his "rescues," and his accusers are gratefully seizing the chance to shift the blame. This means that, in future, the cost of the clean-up – or at least the interest on the $50 to $80bn (£28-£45bn) involved – will have to appear in the budget.

A further very large sum will be required to tackle the LDC debt problem. This is a foreign policy necessity and Mr Bush has already announced an official rethink of the US approach, which has until now been to obstruct any alternative to the Baker plan combining voluntary renegotiation with a flow of new money. The new money has proved inadequate, the political situation in a whole list of Latin American countries is critical and everyone agrees something will have to be done.

It is much harder to find agreement on what that something should be. There are dozens of well-supported debt relief schemes on the table and many of them represent a heavy political investment. Ambitious men in Congress, such as Senator Bob Graham, seem to think that this crisis offers them their road to the top. The Texan influence both in the White House (Mr Bush takes his adopted state citizenship very seriously) and in Congress, where Speaker Wright, Senator Bentsen and Rep Henry Gonzalez all have key roles in any debt discussion, is enormous. Texas tends to speak for Mexico: so the talk of debt solutions, which has been going on for years, looks like more than talk this time.

Economics Notebook

US model for EC central bank

IF MR Alan Greenspan, chairman of the US Federal Reserve Board, takes time off from discussing world monetary affairs at today's central bankers' meeting in Basle, he may be surprised to find that many of his European colleagues have been boning up on the workings of the US Federal Open Market Committee.

For the FOMC, the Fed's main policy-making body, has emerged as a possible model for a European central bank in the discussions of the Delors Committee of European Community central bank governors, which is exploring steps towards EC economic and monetary union.

Long before EC heads of government decided last summer to set up the Delors committee, Mr Niels Thygesen, professor of economics at the University of Copenhagen, had drawn up detailed plans for a 12-strong European Monetary Policy Committee (EMPC), modelled closely on the FOMC.

Mr Thygesen's ideas are of more than passing interest because he is now one of four outside experts in the Delors group, which meets again in Basle tomorrow. While the group's discussions have so far focused on the pitfalls of major monetary initiatives in the absence of further economic integration in the EC, France in particular favours a European FOMC as a way of advancing the goal of economic and monetary union.

Although the US has long been an integrated economic area with a single currency, Mr Thygesen believes its size and diversity, together with its tradition of resistance to centralised power, have created some potentially interesting institutional models for the EC when considering greater economic and monetary integration.

With the European single market looming in 1992, he argues that decentralised decision-making by existing European central banks will be less than ideal. The Federal Reserve System with its 12 regional reserve banks already provides some interesting parallels with the EC central banking network of 11 fully-fledged central banks plus the Luxembourg Monetary Institute, which fulfils most central bank functions.

The FOMC, which dates back only to 1935, appears a particularly suitable model. It has evolved a centralised, yet broadly-based decision-making process, effectively delegating its operational tasks to the FOMC account manager at the New York Fed. Mr Thygesen believes that its membership structure, consisting of the seven presidentially-nominated members of the Federal Reserve Board, the president of the New York Fed and four other reserve bank heads who serve on the FOMC in rotation, could be imitated in the EC.

Mr Thygesen envisages a 10-year transition period in which the EMPC would play a growing role in managing Europe's monetary affairs. It would, for example, formulate guidelines for national monetary policies. It would manage dollar and European Currency Unit reserves pooled by national central banks. Together with a member of the European finance ministers' council, it would represent European interests vis-à-vis the US and Japan in a Group of Three. So long as national currencies exist in the European Monetary System, it could manage small exchange rate realignments.

The EMPC's open market account manager – Mr Thygesen suggests the Bundesbank for the role – would be responsible for intervention in the EMS and against third currencies.

As with the Federal Reserve, there would be a seven-strong European Reserve Board of members appointed by the finance ministers' council from a broad geographical area. Alongside the seven on the EMPC would be the president of the Bundesbank, who would have a permanent place on the committee analogous to that held by the president of the New York Fed on the FOMC.

Of four other EMPC members, two would be presidents from the bigger national central banks (Britain, France, Spain and Italy), who would take it in turns to occupy the posts. The smaller EC central banks would fill the other two slots on a rotating basis.

Elegant though this blueprint might seem, it is doubtful whether it could be translated into action. The changes proposed by Mr Thygesen would require revision of EC treaties and ratification by national parliaments.

Despite the pivotal role envisaged for the Bundesbank, its ruling council under President Karl-Otto Pöhl and West German parliamentarians would need a lot of persuading that the proposed structure would guarantee price stability. In Britain, which is still not a full member of the European Monetary System, Mrs Thatcher would probably react to such proposals with apoplexy.

However, Mr Thygesen's ideas for a European FOMC should not be dismissed out of hand so long as France is showing an interest. France takes over the presidency of the EC in July and a major monetary initiative in the EC would be a characteristically Gallic way of celebrating the 200th anniversary of the French Revolution.

Peter Norman

THIS WEEK

THE OUTLOOK for inflation and consumer spending in the UK and US could provide themes for financial markets this week. Figures for retail sales and factory-gate prices are due for release in both countries.

UK producer prices figures for December to be released today will give some guide to whether underlying inflationary pressures are continuing to accelerate and whether manufacturers are taking advantage of strong domestic demand to increase profit margins.

They cover input prices of fuel and raw materials and output, or factory-gate prices, of manufactured goods. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for both to show rises of 0.4 per cent.

Also published today are final figures for retail sales in November. Provisional statistics showed a fall of 0.5 per cent, prompting speculation that the underlying growth rate was falling, but a large upward revision could dash hopes of a early marked slowdown.

The retail sales figures will be accompanied by figures for consumer credit in November. In October, outstanding credit showed the smallest rise for nearly two years.

Another low figure could dampen fears of a further rise in interest rates.

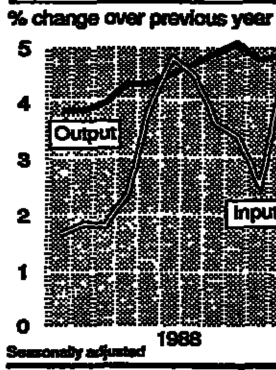
Mr Nigel Lawson, the UK Chancellor of the Exchequer, chairs a National Economic Development Council meeting on Wednesday to discuss economic prospects. On Thursday he opens the debate on the Autumn Statement in the House of Commons.

President Reagan presents the US federal budget to Congress today and US producer prices and retail sales figures for December are released on Friday.

The consensus is for output prices to show an increase of 0.4 per cent. Retail sales are forecast to grow by 1.1 per cent.

UK Producer Prices

% change over previous year



Seasonally adjusted

Mr Gerhard Stoltenberg, West German Finance Minister, travels to Washington on Wednesday. Discussions are expected to include the US trade deficit and West Germany's growing surplus.

Central bankers from the Group of Ten leading industrial nations meet in Basle at the Bank for International Settlements today to discuss recent currency developments.

Tomorrow, also in Basle, the Delors group of EC central bank governors continues its deliberations on possible steps towards economic and monetary union.

Other events and statistics this week include:

Today: US consumer instalment credit for November. UK November housing starts and completions.

Tomorrow: US wholesale trade for November.

Wednesday: US seven-year Treasury note auction. UK advance energy statistics.

Thursday: UK Bank of England publishes quarterly analysis of bank advances. US 52-week ending bill auction.

Friday: UK Bank of England holds its first reverse auction of gilt-edged securities. US domestic and imported car sales for December.

Andersen chief quits ahead of reshape

By Richard Waters

MR DUANE KULLBERG, chief executive of Arthur Andersen, the world's second largest accounting and consultancy group, is to step down after partners in the firm last week agreed a radical restructuring.

Mr Kullberg, who has been in his current role for nine years, had more than two years left to run before being obliged under Andersen's constitution to make way. He was half way through the last of the maximum three four-year terms allowed him.

He said he was moving early because the transition to a new structure was an apt time for the election of a new chief executive. "Sometimes people in my position try to hang on too long."

Mr Kullberg has presided over the emergence of Andersen's information technology practice as the world's leading management consultancy business. His period at the top has more recently encompassed tensions within the firm created by a failure to adapt to the rapid development of its consultancy business.

These tensions culminated last year in the departure of the firm's head of consultancy in the US, along with a number of senior partners and managers, over disagreements about the way Andersen was run.

They also led to the acceleration of a process already under way to adapt Andersen's operational structure. Under the new arrangements, which Mr Kullberg said were agreed last week by more than 85 per cent of the firm's 2,200 partners, the business will be split into two independent units: audit/tax and management information consultancy.

Each will have a managing partner, who will in turn report to Mr Kullberg's successor as chief executive.

Individual partners' remuneration will, in future, be tied more closely to the results of their particular part of the business, a concession designed to meet the concerns of consultants who felt they were not benefiting enough from their own efforts.

However, Mr Kullberg said that remuneration would still be based largely on the existing system in which "partners share resources on a global basis."

The consultants will have only a third of the 24 seats on the firm's newly constituted partnership board. This is in spite of the fact that they brought in 40 per cent of Andersen's total $2.8bn fee income last year.

Given the high growth rate in consultancy, they are likely to account for more than half of total income soon.

Mr Kullberg said the structure could be adapted to reflect changing circumstances like these. Representation for minority groups within the firm would always be assured, he said.

A predecessor of Mr Kullberg was ousted by Andersen's partners some years ago when he proposed a more radical restructuring of the practice, which would have involved a complete separation of the accountancy and management consultancy businesses.

Delhaize and Glaverbel register strong advances

By Tim Dickson in Brussels

DELHAIZE Le Lion and Glaverbel, two of Belgium's most dynamic quoted companies, have announced healthy increases in their 1988 profits.

Delhaize, a leading supermarket group with a strong presence in the US, said consolidated sales rose 23 per cent to BFr210bn ($5.5bn) and that group profits were expected to be more than 40 per cent higher than the 1987 total of BFr1.53bn.

The figures were helped to some extent by the acquisition of new stores, notably in the US where 567 supermarkets were in operation at the end of 1988, compared with 475 a year earlier. In addition, the Portuguese Pingo Doce unit doubled its sales to Esc22.2bn ($150m) following the takeover of 15 supermarkets in 1987.

Operating profits and income from investments exceeded those of the preceding year in Belgium, where sales were 6 per cent better at BFr66.4bn.

Glaverbel, the leading Benelux glassmaker, revealed that its 1988 consolidated net profits jumped almost 25 per cent to more than BFr2.4bn on turnover about 17 per cent higher at BFr24bn.

Two companies included for the first time – Cataphote of the US and Ilved-Glaverbel in Italy – contributed about 4 per cent of total sales.

Glaverbel conceded that the results were achieved in a healthy environment, with consumption of glass 8 per cent higher in Europe last year and capacity fully used.

Firmer steel prices help turnround at Hoogovens

By David Brown in Amsterdam

HOOGOVENS, the Dutch steelmaker, has reported a dramatic turnround for 1988 as a result of strong demand and firmer prices.

After a disastrous 1987 performance when dollar weakness, downward pressure on prices, and start-up problems with new facilities combined to produce a loss of Fl 76m ($37.1m), the group swung back into the black last year with an expected net profit of more than Fl 250m.

But, warning of a possible downturn in world steel demand during the second half of this year, Mr O.H. van Royen, Hoogovens chairman, appealed to EC member governments to do everything possible to reduce further latent surplus capacity in the market.

"All the good work accomplished in the EC during the years of restructuring will be at risk if this is not accomplished," he warned.

His comments come amid signs that the Italian Government may be reconsidering the closure of some steelmaking capacity, backing away from its commitment to close 3.42m tonnes of capacity at the controversial Dagnoli plant following violent protests in the Naples area last week.

Hoogovens has managed a strong improvement in both its steel and aluminium divisions, with total sales in 1988 advancing 35 per cent to Fl 7.9bn. The output of rolled steel products advanced by 12 per cent to 4.7m tonnes. Prices advanced on average by 8 per cent.

BBL takes control of French bank

By Tim Dickson

BANQUE BRUXELLES Lambert (BBL), Belgium's second largest bank, has moved to prepare for the single European market by assuming full control of Banque Louis-Dreyfus, a French investment bank.

It had held a 50 per cent stake in Banque Louis-Dreyfus, which employs more than 800 people in France and also has a Zurich subsidiary. In 1987 it reported profits of FFr90m ($14.5m) with a balance sheet total of FFr16bn.

No price for the deal has been disclosed, but as part of the consideration the Louis-Dreyfus family will receive a 2 per cent stake in BBL.

BBL is one of Belgium's three main commercial banks.

Honeywell Bull to cut workforce

By James Buchan in New York

HONEYWELL BULL, the US-based computer group controlled by Bull of France, is cutting its US workforce by a further 15 per cent.

The reductions, which will cut about 1,600 jobs from the company's US workforce, marks the second retrenchment since late 1986, when the troubled desktop and mainframe computer business of Honeywell of the US was put into a joint venture with Bull and NEC of Japan. The company announced a 10 per cent cut in its US workforce in 1987.

The latest job cuts arise from a reorganisation of manufacturing and administrative functions and the streamlining of research and development.

Nintendo returns fire in battle with Atari

By Louise Kehoe in San Francisco

NINTENDO, the Japanese video game leader, has fired back at Atari Games, its US challenger, with a lawsuit charging the American software company with breach of contract, trade mark infringement, unfair competition and racketeering.

The suit, filed in San Francisco by Nintendo's US subsidiary last week, is seen as a response to Atari Games' $100m antitrust suit, filed against Nintendo in December.

The video game battle was sparked by an Atari Games announcement last month that it planned to sell its own cartridges for the hugely popular Nintendo home video game machine. As one of about 100 software companies licensed by Nintendo to design games, Atari Games had previously been required to allow Nintendo to manufacture the cartridges in Japan.

Many US companies have complained about Nintendo being the sole source of the cartridges. A shortage of memory chips has hampered its ability to keep up with demand, hitting sales and profits for software creators.

Nintendo, which maintains that its licensing policy is designed to ensure consistent high quality, said yesterday it had terminated its licensing agreement with Atari Games and Tengen, an Atari Games subsidiary. America officials also said their actions against Atari Games might be expanded to include charges of infringement of copyrights and patents.

By challenging Nintendo, Atari Games aims to create a market for "Nintendo-compatible" games manufactured by third parties and to win a share of the fast-growing video game market.

Nintendo currently controls more than 80 per cent of the $2.3bn US video game market. The Japanese company is, however, expected to face increased competition from several companies that are said to be planning to launch new video game products at the Consumer Electronics Show in Las Vegas this week.

Bond offer for HK subsidiary challenged

By Michael Marray in Hong Kong

AN OFFER by Bond Corporation Holdings of Australia to buy out the minority in Bond Corporation International (BCI), its Hong Kong-listed subsidiary, has attracted criticism within the territory.

Indosuez Asia, the merchant bank advising outside shareholders, recommended they reject the offer, which values BCI at about HK$2.7bn (US$346.2m). Its terms were also questioned by Mr Francis Yuen, chief executive of the Hong Kong Stock Exchange, who suggested the HK$2.20 per share bid paid inadequate attention to earnings or asset values.

This raised doubts about whether BCI directors were acting in the best interests of all their shareholders, he added.

"A recommendation on that basis is on very flimsy grounds," Mr Yuen said. "The directors could be personally liable" should disgruntled minority shareholders wish to mount a legal challenge to the recommendation in the event of the offer succeeding.

Bond executives have repeatedly stated that the offer price is market-driven and have pointed to the hefty premium to trading levels of under HK$1.50 a share seen last year, before the offer to take the company private was announced.

Mr Yuen's remarks followed the mailing to BCI shareholders of a circular by Indosuez Asia, which had previously recommended acceptance of the offer.

However, following the sale in November of BCI's 30.4 per cent stake in Television Broadcasts and HK-TVB, local television and entertainment concerns, at a price in excess of book value, fresh documentation had to be prepared and an extraordinary general meeting rescheduled.

This time Indosuez described the terms as inadequate, and made it known that in the wake of the TVB deal it urged an upward revision of the offer price to nearer the adjusted net asset value of HK$3.20 per share.

None the less, Indosuez warns that if the proposals fail there is a risk the price of shares and warrants will fall, and that there would appear to be no immediate prospect of shareholders being able to realise the full net asset value of their shares.

The main assets of BCI are the Bond Centre office complex in Hong Kong, valued at HK$4.52bn, and a 50.2 per cent stake in Compania de Telefonos de Chile (CTC), the Chilean telecommunications utility.

The extraordinary meeting is scheduled for January 30.

Hong Kong Telecom adds 45m shares to offering

By Michael Marray

HONG KONG Telecommunications, the local subsidiary of the UK's Cable and Wireless, has added to the number of shares sold to international investors in its recent offer, with underwriters exercising an over-allotment option in respect of 45m extra shares.

The exercise late last week of the so-called green shoe, a device giving underwriters flexibility in allotting extra shares in order to offset possible customer cancellations, means the final number of HK Telecom shares sold stands at 922.875m, valued at HK$4.2bn (US$538.5m).

The shares were sold at HK$4.55 in equal amounts by the Hong Kong Government and Cable and Wireless in order to increase the number of HK Telecom shares in public hands. It was the biggest share offering seen in the territory.

Hong Kong investors were given priority through claw-back arrangements, which resulted in 21.8m shares from the US offer and 10.7m shares from a parallel international offer being reallocated to Hong Kong, where a total of 607.5m shares were sold.

Under the green shoe provision, 30.4m extra shares have now been added to the 180.7m sold in the US offer, while 15m have been added to the 89.3m units in the international offer.

Cadbury holding in Australian unit climbs

By Chris Sherwell in Sydney

CADBURY SCHWEPPES of the UK yesterday advanced an important step towards success in its A$400m (US$344.4m) bid to buy out the minority interests in its Australian subsidiary.

The confectionery and drinks group said a weekend acceptance of its offer by the Australian Mutual Provident (AMP) Society, the country's largest institutional investor, was important because other minority shareholders had been awaiting the AMP's decision before acting.

Cadbury announced its buy-out move last October, seeking to acquire the 30 per cent of Cadbury Schweppes Australia (CSA) it did not already own. But it was obliged to improve its terms a month later.

These came in three forms: a cash offer of A$4.25 a share, an all-share alternative of 20 Cadbury shares for every 33 CSA shares – currently equivalent to about A$4.26 – and a cash-and-share alternative of A$10.90 plus one Cadbury share for every four CSA shares.

The AMP, CSA's largest independent shareholder, has accepted the third of these, currently worth A$4.48 per CSA share.

This gives Cadbury control of a further 5 per cent block, making 81 per cent in all. Once past 90 per cent it can move to compulsory acquisition of the remainder.

The success of the buy-out is important to Cadbury because it wants to use its Australian-based operation as a platform to expand throughout the Pacific Rim region. Part of the plan includes the listing of Cadbury Schweppes shares in Australia.

It also faces more intense competition in Australia, where it enjoys a strong market position in both confectionery and soft drinks, following the takeover in Britain of Rowntree, Cadbury's competitor, by Nestlé of Switzerland.

The move by Cadbury is the most recent in a series of buy-outs by British and other foreign companies in Australia.

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Cadbury holding in Australian unit climbs
By Chris Sherwell

pleased

MB Group

NOTICE to the holders of the U.S. $50,000,000 5⅛ per cent Bonds Due 1993 of MB Group plc

NOTICE IS HEREBY GIVEN that The Law Debenture Trust Corporation p.l.c. as Trustee (the "Trustee") in respect of the above-mentioned bonds (the "Bonds") of MB Group plc (formerly called Metal Box p.l.c., "existing MB Group"), pursuant to its powers to do so contained in the trust deed constituting the Bonds, executed by the Trustee and existing MB Group and dated 15th July, 1986 (the "Trust Deed"), has agreed to the modification of the Trust Deed as set out below under "Modification". The Trustee is of the view that such modification will not be materially prejudicial to the interests of the holders of the Bonds (the "Bondholders").

BACKGROUND

Existing MB Group intends merging its worldwide packaging interests with Carnaud S.A. in the manner more fully set out in the Explanatory Circular dated 9th January, 1989, which has been sent to holders of existing MB Group Ordinary Shares. Definitions used in the Explanatory Circular are also used in this Notice save where the context otherwise requires.

Under the proposed terms of the merger, Carnaud S.A., which it is intended will be re-named CMB Packaging S.A., will issue 11,200,000 shares. Of these Carnaud S.A. shares, 6,799,650 will be issued to a new company which will be owned by the present members of existing MB Group ("new MB Group") and 4,400,350 will be issued directly to present shareholders in existing MB Group on a pro rata basis. In addition, new MB Group will receive a cash amount, currently estimated to be £240,000,000 (subject to adjustments) which after deducting indebtedness assumed by new MB Group would leave new MB Group with pro forma net cash, based on indebtedness at 30th September, 1988, of £160,000,000 (see Section 7.2 of Part III of the Explanatory Circular). Following completion of the merger, shareholders in existing MB Group will receive new MB Group Ordinary Shares and shares in Carnaud S.A. in exchange for their existing MB Group Ordinary Shares. Existing MB Group will become a subsidiary of Carnaud S.A., and will cease to be a listed company.

The implementation of the merger is subject to the approval of a scheme of arrangement (described in the Explanatory Circular) (the "Scheme of Arrangement") by the High Court of Justice in England. If approval is granted, the Scheme of Arrangement will take effect on the Effective Date, which is expected to be 1st April, 1989.

The listing of the Bonds on The Stock Exchange will be maintained and the merger will not involve the occurrence of an event of default under the terms and conditions of the Bonds (the "Conditions") or a breach of any of the covenants contained in the Trust Deed.

MODIFICATION

Although the merger will not involve the occurrence of an event of default or breach of covenant, existing MB Group is concerned to reassure Bondholders that they will not be prejudiced by the merger. Accordingly, existing MB Group has made arrangements with National Westminster Bank PLC to ensure the payment of interest coupons relating to the Bonds ("Coupons") as they fall due and the redemption of the Bonds upon maturity.

If the Scheme of Arrangement is approved by the High Court of Justice and becomes effective, National Westminster Bank PLC has agreed that it will execute, as at the Effective Date, in favour of the Trustee for the benefit of the Bondholders, a guarantee in respect of existing MB Group's obligations to pay interest in respect of the Bonds on the due date of the Coupons and to redeem the Bonds upon maturity.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed and the draft supplemental trust deed, subject to completion and amendment, by which the Trustee will declare that it holds the guarantee for the benefit of the Bondholders may be inspected, and copies of the Explanatory Circular may be obtained, by Bondholders from the specified office of the Trustee and any of the Paying Agents.

PRINCIPAL PAYING AGENT:

Bankers Trust Company
Dashwood House, 69 Old Broad Street
London EC2P 2EE

PAYING AGENTS:

Banque Indosuez Luxembourg 39 Allée Scheffer L-2520 Luxembourg	Swiss Bank Corporation Aeschenvorstadt 1, CH-4002 Basle Switzerland

TRUSTEE:

The Law Debenture Trust Corporation p.l.c.
Princes House, 95 Gresham Street
London EC2V 7LY

NOTICE OF A MEETING of the Holders of Warrants in registered form exercisable into the shares of MB Group plc

NOTICE IS HEREBY GIVEN that a meeting of the holders (the "Warrant Holders") of the above-mentioned warrants (the "Existing Warrants") convened by Banque Indosuez Luxembourg (the "Bank") will be held at 10.15 am (London time) on 1st February, 1989 at Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2 (entrance in Aldersgate Street), for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Deed Poll dated 15th July, 1986 (the "Deed Poll") made by the Bank, constituting the Existing Warrants.

The purpose of the Resolution is to permit the implementation of a Proposal to Warrant Holders (the "Proposal") as set out below.

BACKGROUND

MB Group plc ("existing MB Group") intends merging its worldwide packaging interests with Carnaud S.A. in the manner more fully set out in the Explanatory Circular dated 9th January 1989, which has been sent to the holders of existing MB Group Ordinary Shares. Definitions used in the Explanatory Circular are also used in this Notice save where the context otherwise requires.

Under the proposed terms of the merger, Carnaud S.A., which it is intended will change its name to CMB Packaging S.A., will issue 11,200,000 shares. Of these Carnaud S.A. shares, 6,799,650 will be issued to a new company ("new MB Group") which will be owned by the present members of existing MB Group and 4,400,350 will be issued directly to present shareholders in existing MB Group on a pro rata basis. In addition, new MB Group will receive a cash amount, currently estimated to be £240,000,000 (subject to adjustments) which after deducting indebtedness assumed by new MB Group would leave new MB Group with pro forma net cash, based on indebtedness at 30th September, 1988, of £160,000,000 (see Section 7.2 of Part III of the Explanatory Circular). Following completion of the merger, shareholders in existing MB Group will receive new MB Group Ordinary Shares and shares in CMB Packaging S.A. in exchange for their existing MB Group Ordinary Shares. Existing MB Group will become a subsidiary of CMB Packaging S.A., and will cease to be a listed company. Consequently, it is inappropriate that the Existing Warrants should remain outstanding as they entitle the holders to subscribe for ordinary shares in existing MB Group. It is intended that new MB Group will be listed on the International Stock Exchange in London ("The Stock Exchange").

The implementation of the merger is subject to the approval of a scheme of arrangement (described in the Explanatory Circular) (the "Scheme of Arrangement") by the High Court of Justice in England. If approval is granted, the scheme will take effect on the Effective Date (as defined in the Explanatory Circular), which is expected to be 1st April, 1989.

PROPOSAL

The Resolution, if passed, will (i) sanction the Proposal of the Bank, by way of alteration, abrogation, variation or compromise of the terms and conditions of the Existing Warrants (the "Conditions"), to reduce the subscription price of the Existing Warrants to 157 pence with effect from and including the day following the date upon which the Resolution is passed until 3.00 pm on 20th February, 1989, and to suspend the right to exercise the Warrants (the "Exercise Right") from 3.00 pm on 20th February, 1989 to and including the earlier of the Effective Date and 1st May, 1989 and (ii) sanction the Proposal by the Bank, if the Scheme of Arrangement becomes effective, for Existing Warrants to be exchanged for New Warrants to be issued by the Bank (the "New Warrants"), the number of New Warrants to be issued and the subscription price for the New Warrants to be determined in accordance with the formulae set out in the Explanatory Statement.

Notwithstanding the suspension of the Exercise Right, the Existing Warrants will continue to trade and be tradeable in the market.

The terms and conditions of the New Warrants will be substantially similar to the terms and conditions of the Existing Warrants, save that:

(i) the New Warrants will entitle the holder to convert his warrants into ordinary shares of new MB Group; and

(ii) the subscription price for the New Warrants and the number of New Warrants to be issued for each Existing Warrant will be determined in accordance with formulae that are more fully set out in an Explanatory Statement to Warrant Holders that is available from the offices of the Warrant Registrar and Receiving Agents, as specified below.

If the Scheme of Arrangement does not become effective, the Exercise Right will be restored as from and including 2nd May, 1989.

EXTRAORDINARY RESOLUTION

The Resolution to be proposed at the Meeting is as follows:—

"THAT this meeting of the holders (the "Warrant Holders") of the outstanding warrants (the "Existing Warrants") of Banque Indosuez Luxembourg (the "Bank") constituted by a deed poll (the "Deed Poll") dated 15th July, 1986 by the Bank hereby:

(i) assents to the alteration, abrogation, variation or compromise of the terms and conditions of the Existing Warrants (as printed on the reverse thereof and in the First Schedule to the Deed Poll, the "Conditions") proposed in paragraph (B) of the Explanatory Statement issued by the Bank and dated 9th January, 1989 (the "Explanatory Statement") a copy of which has been produced to this Meeting and initialled by the Chairman hereof for the purpose of identification;

(ii) assents to the reduction of the Subscription Price (as defined in the Deed Poll) of the Existing Warrants to 157 pence with effect from and including the day following the date upon which this resolution is passed until 3.00 pm on 20th February, 1989. Thereafter, the Subscription Price shall be restored to such amount as the Subscription Price would have been but for such reduction;

(iii) assents to the suspension of the right to exercise the Warrants (the "Exercise Right") from 3.00 pm on 20th February, 1989 to and including the earlier of the Effective Date of the Scheme of Arrangement (as defined in the Explanatory Statement) and 1st May, 1989. If the Effective Date (as defined in the Explanatory Statement) has not occurred on or before 1st May, 1989, the Exercise Right shall be restored with effect from 2nd May, 1989;

(iv) agrees that if the Effective Date falls on or before 1st May, 1989, the Existing Warrants shall be exchanged for New Warrants (as defined in the Explanatory Statement) of the Bank exercisable into ordinary shares of new MB Group (as defined in the Explanatory Statement)."

The attention of Warrant Holders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below. In view of the quorum requirements, Warrant Holders are requested to exercise their right to vote on the Proposal.

This Notice of Meeting shall not be deemed to have been given in jurisdictions where the giving of such Notice is prohibited by applicable law.

VOTING AND QUORUM

1. A Warrant Holder may attend and vote at the Meeting in person or (in the case of a corporation) by a duly authorised representative.

A Warrant Holder not wishing to attend and vote at the Meeting in person may appoint a proxy to attend and vote at the Meeting in accordance with his instructions. A proxy need not be a Warrant Holder.

2. The quorum required at the Meeting is two or more persons present in person holding Existing Warrants and/or being proxies and being or representing in the aggregate the holders of not less than a clear majority of the Existing Warrants for the time being outstanding. If within half an hour from the time appointed for the Meeting a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Warrant Holders). The quorum required to consider the Extraordinary Resolution at such an adjourned Meeting will be two or more persons present in person holding Existing Warrants and/or being proxies (whatever the number of the Warrants so held or represented).

3. Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Existing Warrants and/or being proxies and being or representing in the aggregate the holders of not less than ten per cent of the Existing Warrants then outstanding. Upon a show of hands every person who is present in person or (in the case of a corporation) by a duly authorised representative or is a proxy shall have one vote. On a poll, every person who is present in person or (in the case of a corporation) by a duly authorised representative, or by proxy shall have one vote in respect of each Existing Warrant held by him. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been carried or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, the Extraordinary Resolution will be binding upon all the Warrant Holders, whether or not present at such Meeting and whether or not voting in favour of the Resolution.

AVAILABILITY OF DOCUMENTS

Further details of the background to, and reasons for the Proposal and the Resolution are contained in an Explanatory Statement prepared by existing MB Group dated 9th January, 1989 copies of which, together with copies of the Explanatory Circular relating to the merger, are available for collection by Warrant Holders at the specified offices of the Warrant Registrar and the Receiving Agents for the Existing Warrants specified below. Copies of the Deed Poll (which contains the provisions, which are binding on all Warrant Holders, for convening meetings of Warrant Holders to consider any matter affecting their interests, including modification, abrogation, variation or compromise of the Conditions of the Warrants as well as any Proposal for the exchange of the Warrants for other obligations or securities of the Bank), the Option Agreement entered into at the time of issue of the Existing Warrants, the form of the new Deed Poll and the Supplemental Deed Poll (subject to amendment and completion) to be executed by the Bank, and the form of the new Option Agreement and the Supplemental Option Agreement (subject to amendment and completion) which it is proposed will be executed by New MB Group, may be inspected at and may be obtained by Warrant Holders from the specified offices of the Warrant Registrar or the Receiving Agents.

It is requested that forms appointing proxies be lodged with the Warrant Registrar not less than 48 hours before the time appointed for the Meeting.

WARRANT REGISTRAR

Banque Indosuez Luxembourg
39 Allée Scheffer
L-2520 Luxembourg

RECEIVING AGENTS

Banque Indosuez Luxembourg 39 Allée Scheffer L-2520 Luxembourg	Bankers Trust Company Dashwood House, 69 Old Broad Street London EC2P 2EE

NOTICE OF A MEETING of the Holders of MB Group plc £65,000,000 5¾ per cent Subordinated Convertible Bonds Due 2002

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Bondholders") of the above-mentioned bonds (the "Existing Bonds") convened by MB Group plc ("existing MB Group") will be held at 11.15 am (London time) on Wednesday, 1st February, 1989 at Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2, (entrance in Aldersgate Street), for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 28th April, 1987, made between existing MB Group and The Law Debenture Trust Corporation p.l.c. as trustee (the "Trustee"), constituting the Existing Bonds.

The purpose of the Resolution is to permit the implementation of a proposal to Bondholders (the "Proposal") as set out below.

BACKGROUND

Existing MB Group intends merging its worldwide packaging interests with Carnaud S.A. in the manner more fully set out in the Explanatory Circular dated 9th January, 1989, which has been sent to holders of existing MB Group Ordinary Shares. Definitions used in the Explanatory Circular are also used in this Notice save where the context otherwise requires.

Under the proposed terms of the merger, Carnaud S.A., which it is intended will change its name to CMB Packaging S.A., will issue 11,200,000 shares. Of these Carnaud S.A. shares, 6,799,650 will be issued to a new company ("new MB Group") which will be owned by the present members of existing MB Group and 4,400,350 will be issued directly to present shareholders in existing MB Group on a pro rata basis. In addition, new MB Group will receive a cash amount, currently estimated to be £240,000,000 (subject to adjustments) which after deducting indebtedness assumed by new MB Group would leave new MB Group with pro forma net cash, based on indebtedness at 30th September, 1988, of £160,000,000 (see Section 7.2 of Part III of the Explanatory Circular). Following completion of the merger, shareholders in existing MB Group will receive new MB Group Ordinary Shares and shares in Carnaud S.A. in exchange for their existing MB Group Ordinary Shares. Existing MB Group will become a subsidiary of Carnaud S.A., and will cease to be a listed company. Consequently it is inappropriate that the Existing Bonds should remain as outstanding obligations of existing MB Group and it is proposed to replace them by new bonds of new MB Group (the "New Bonds") whose conversion price will be determined taking into account the direct issue of Carnaud S.A. Shares to existing shareholders of existing MB Group. It is intended that new MB Group and the New Bonds will be listed on the International Stock Exchange in London ("The Stock Exchange").

The implementation of the merger is subject to the approval of a scheme of arrangement (described in the Explanatory Circular) (the "Scheme of Arrangement") by the High Court of Justice in England. If approval is granted, the Scheme of Arrangement will take effect on the Effective Date (as defined in the Explanatory Circular), which is expected to be 1st April, 1989.

PROPOSAL

It is proposed that the Conversion Right (as defined in Condition 4 of the Existing Bonds, the "Conversion Right") shall be suspended from 3 pm on 20th February, 1989, to and including the earlier of the Effective Date (expected to be 1st April, 1989) and 1st May, 1989. Notwithstanding this suspension, the Existing Bonds will continue to trade and be tradeable in the market. If the Scheme of Arrangement becomes effective on or before 1st May, 1989, the Conversion Right will be cancelled and the Existing Bonds will be exchanged on the Effective Date for New Bonds. If the Scheme of Arrangement does not become effective, the Conversion Right will be restored as from and including 2nd May, 1989.

It is also proposed that the terms and conditions of the New Bonds will be substantially in the form of the terms and conditions of the Existing Bonds, save that:

(i) the New Bonds will be obligations of new MB Group;

(ii) the New Bonds will entitle the holder to convert his New Bonds into new MB Group Ordinary Shares; and

(iii) the conversion price for the New Bonds will be determined in accordance with a conversion price formula which is more fully set out in an Explanatory Statement to Bondholders available from the offices of the Trustee and the Paying and Conversion Agents for the Existing Bonds, as specified below.

If the Proposal becomes effective, the New Bonds will be represented by the definitive Existing Bonds already in issue, and accordingly the interest payment obligations in respect of the New Bonds will be represented by the existing interest coupons.

EXTRAORDINARY RESOLUTION

The Resolution to be proposed at the Meeting is as follows:—

"THAT this meeting of the Holders (the "Bondholders") of the £65,000,000 5¾ per cent Subordinated Convertible Bonds Due 2002 (the "Existing Bonds") of MB Group plc ("existing MB Group") constituted by a Trust Deed (the "Trust Deed") dated 28th April, 1987 made between existing MB Group and The Law Debenture Trust Corporation p.l.c. as Trustee (the "Trustee") hereby:—

(i) assents to the alteration, abrogation, variation or compromise of the terms and conditions of the Existing Bonds (as printed on the reverse thereof and in the First Schedule to the Trust Deed, the "Conditions") proposed in paragraph (B) of the Explanatory Statement issued by existing MB Group and dated Monday, 9th January, 1989 a copy of which is being produced to this Meeting and initialled by the Chairman hereof for the purpose of identification;

(ii) assents to the suspension of the Conversion Right (as defined in Condition 4 of the Existing Bonds, the "Conversion Right") from 3 pm on 20th February, 1989, to and including the earlier of the Effective Date of the Scheme of Arrangement (as defined in the Explanatory Circular) and 1st May, 1989, and if the Effective Date occurs on or before 1st May, 1989, the cancellation of the Conversion Right on the Effective Date;

(iii) agrees that if the Scheme of Arrangement shall be approved and the Effective Date shall occur on or before 1st May, 1989, the Existing Bonds shall be automatically exchanged on the Effective Date for New Bonds (as defined in the Explanatory Statement) of new MB Group (also as so defined)."

The attention of Bondholders is particularly drawn to the quorum required for the Meeting, and for an adjourned Meeting, which is set out in paragraph 2 of "Voting and Quorum" below. In view of the quorum requirements, Bondholders are requested to exercise their right to vote on the Proposal.

This Notice of Meeting shall not be deemed to have been given in jurisdictions where the giving of such Notice is prohibited by applicable law.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Existing Bond(s) or a valid voting certificate issued by a Paying and Conversion Agent relative to the Existing Bond(s) in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the Meeting in person may either deliver his Existing Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying and Conversion Agents specified below) instructing a Paying and Conversion Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Existing Bonds may be deposited until the time being 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) but not thereafter with any Paying and Conversion Agent or under its control at Euroclear or CEDEL S.A., for the purpose of obtaining voting certificates or giving voting instructions in respect of the relevant Meeting. Existing Bonds so deposited or held will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, being not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons holding Existing Bond(s) and/or voting certificates and/or being proxies and holding or representing in the aggregate two-thirds in principal amount of the Existing Bonds for the time being outstanding. If within half an hour from the time appointed for the Meeting a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Bondholders). The quorum required to consider the Extraordinary Resolution at such an adjourned Meeting will be two or more persons present in person holding Existing Bonds and/or voting certificates and/or being proxies and holding or representing not less than one-third in principal amount of the Existing Bonds for the time being outstanding.

3. Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Existing Bonds and/or voting certificates and/or being proxies and being or representing in the aggregate not less than one-fiftieth part of the principal amount of the Existing Bonds then outstanding. Upon a show of hands every person who is present in person and produces an Existing Bond or voting certificate or is a proxy shall have one vote and on a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of Existing Bonds so produced or in respect of which that person is proxy. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been carried or lost shall be conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour or against such resolution.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, the Extraordinary Resolution will be binding upon all the Bondholders, whether or not present at such Meeting and whether or not voting, and upon all Couponholders.

AVAILABILITY OF DOCUMENTS

Full details of the background to, and reasons for, the Proposal are contained in an Explanatory Statement prepared by existing MB Group dated 9th January, 1989, copies of which, together with copies of the Explanatory Circular relating to the merger, are available for collection by Bondholders at the offices of the Trustee and Paying and Conversion Agents specified below. Copies of the Trust Deed (which contains the provisions, which are binding on all Bondholders, for convening meetings of Bondholders to consider any matter affecting their interests, including the exchange or substitution of the Existing Bonds for other obligations or securities of any body corporate and the alteration, abrogation, variation or compromise of the Conditions of the Bonds) and the form of the Trust Deed, subject to amendment and completion, to be executed by the Trustee and new MB Group may be inspected at, or may be obtained by Bondholders from, the offices of the Trustee and Paying and Conversion Agents as specified below.

PRINCIPAL PAYING AND CONVERSION AGENT

Bankers Trust Company
Dashwood House, 69 Old Broad Street
London EC2P 2EE

PAYING AND CONVERSION AGENTS

Swiss Bank Corporation 1 Aeschenvorstadt CH-4002 Basle	Banque Internationale à Luxembourg S.A. 2 Boulevard Royal L-2953 Luxembourg

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Princes House, 95 Gresham Street
London EC2V 7LY

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Slow start as investors turn to cash

THE GILT-EDGED securities market made a quiet start to the new year last week and the only reason for expecting any excitement this week is because the Bank of England will conduct its "reverse auction" for up to £500m of short-dated gilts on Friday.

Analysts resorted to nautical simile to explain the torpor of last week. The market was "becalmed," "adrift," and "treading water," they said.

The principal reason for such a sluggish start was attributed to the broad inactivity of investment institutions, bolstered by the still unclear short-term outlook for the economy.

In this situation, cash is the best alternative.

Opting for cash was a worthwhile strategy for institutional investors last year, and for the initial months of this year there is little reason for change.

Cash was the best performing asset last year for the first time since 1981. The total returns on cash in 1988 was 10.4 per cent, compared with 8.3 per cent on gilts and 9 per cent on equities.

With bank base rates likely to stay at 13 per cent, at least up to the Budget, short-term money market returns should remain attractive relative to both gilts and equities.

As noted, the current, albeit unfocused, picture of the economy is not one to inspire the bond investor. But it remains a curious feature of the present situation that the market believes there will be a slowdown – and many a "soft landing" – but does not believe it enough to take a committed view.

The dearth of reliable data is not helping much either. About the only hard figures for the market to mull over the past week or so were the various flash forecasts of M0 growth in December. Unadjusted, the rise in M0 (notes and coins in circulation) on a year earlier seems to have been more than 8 per cent; seasonally adjusted the rise was about 7.5 per cent.

This would suggest that the effect on consumer spending from higher interest rates has still to come through. The longer that takes, the greater the possibility there is the Treasury will be forced to raise interest rates again. Mr Nigel Lawson, the Chancellor of the Exchequer, said last week that he stood prepared to raise rates if necessary.

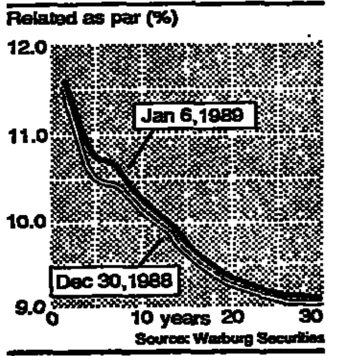
The relationship of M0 to the real economy is the subject of a recent analysis by Mr David Walton, of Goldman Sachs, and Mr Peter Westaway, of the National Institute of Economic and Social Research.

While denying any identity between a given rate of increase in M0 and inflation, the authors' empirical work suggests that the main short-run effect on demand for M0 is consumers' expenditure on non-durables.

There is a remarkably snug fit between the growth in spending on durables and the growth in holdings of cash, and an equally firm relationship between durables and total expenditure, "hence M0 growth in 1989 is likely to serve as a reasonable guide to the behaviour of total consumer spending growth."

UK gilts yields

Related as par (%)



Source: Warburg Securities

A 1 per cent change in the level of consumer spending leads to an equivalent change in the level of cash in use. In the same quarter as the change in consumer expenditure there is a 0.6 per cent change in the level of cash in use; the remainder is spread out over the remaining three quarters.

Their work also shows that interest rates have an important effect on the level of cash holdings. Each sustained 1 percentage point rise in interest rates reduces the level of cash holdings by almost 1 per cent a year.

The authors do not foresee M0 coming back within its prescribed target range of 1 to 5 per cent until the second half of this year. On the Goldman Sachs central forecast, which posits a gradual slowdown in consumption, the decisive turning point for M0 appears to be towards the end of the first quarter of this year.

* * *

The medium-term future of the gilts market is crisply defined by the events of the first two weeks of January; Hoare Govett's retreat from the market (and then there were 21) and this Friday's reverse gilts auction. The former is in many ways the consequence of the latter.

There is now broad agreement in the market that budgetary trends are such that by the end of 1990/91 the stock of outstanding gilts will be about £100bn (from a current level of about £140bn market value). Friday's reverse auction is seen as a foretaste of more frequent operations to come.

It is expected that the two auction stocks – 10 per cent Exchequer Stock, 1989 and the 11 per cent Exchequer Stock, 1989 – will go well, if at a slight premium.

Simon Holberton

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.00	9.60	8.60	9.60	5.58
Three-month Treasury bills	8.28	8.12	8.30	8.30	5.59
Six-month Treasury bills	8.48	8.25	8.71	8.48	5.73
Three-month prime CDs	9.25	9.20	9.35	9.35	6.50
30-day Commercial Paper	9.04	9.04	9.25	9.25	6.57
90-day Commercial Paper	8.95	8.98	9.15	9.15	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97¾	–	9.29	9.27	9.14
30-year Treasury	99½	–	9.03	9.05	9.16

Source: Salomon Bros (estimates). Municipal and corporate sector data not available.

Money supply: In the week ended December 26, M1 rose $0.9bn to $788.3bn.

NRI TOKYO BOND INDEX

December 1983 = 100	5/1/89	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	148.49	4.51	148.47	145.88	149.11
Government Bonds	149.60	4.18	149.67	147.10	142.99
Municipal Bonds	150.35	4.83	150.25	147.03	145.48
Govt.-guaranteed Bonds	151.35	4.88	151.22	148.22	147.02
Bank Debentures	141.47	4.44	141.42	139.18	137.48
Corporate Bonds	147.90	5.40	147.71	145.44	143.95
Yen-denom. Foreign Bonds	151.55	6.16	151.33	148.82	145.75
Government 10-year†	4.83	–	4.79	5.17	5.17

† Estimated par yield

Source: Nomura Research Institute

CFTC prepares way for trade in hybrid products

By Deborah Hargreaves in Chicago

REGULATORS of the US futures industry have come up with another proposed change in rules governing the growing and controversial market for off-exchange products.

The Commodity Futures Trading Commission last week paved the way for trading of hybrid instruments – which combine elements of futures or commodity options with other characteristics – by announcing it would exclude them from its jurisdiction.

The proposal marks a simplification of a previous change suggested at the end of 1987. This contained so many provisos for exempting hybrids from oversight that traders and other federal regulators accused the CFTC of overstepping its jurisdiction.

Hybrid products include anything from corporate gold-indexed notes to bank certificates of deposit that tie interest payments to the performance of a stock index.

The proposal now awaits a 45-day comment period.

US MONEY AND CREDIT

Early blow for popular prediction

IF LAST week is any guide, 1989 is going to be an interesting year for providers of credit in the US. In only four days of trading, bond prices cracked and recovered and the dollar staged a quite unexpected rally.

The popular new year prediction that US interest rates are headed up and the dollar down has not worn well in its first few days.

By the end of the week, people were saying the Federal Reserve simply could not raise the discount rate with the dollar so strong.

The new year began with the usual crushing hangover from the old. Bond prices fell on Tuesday in reaction to evidence that American business and consumers truly lived it up in December.

According to a report from corporate purchasing managers, the US economy ended the year with vigorous growth. And according to the chairman of the National Association of Purchasing Managers, December went out "like a lion."

This is not the sort of news that bond investors want to hear at the start of the eighth calendar year of a business expansion. A widespread view is that this sort of late-cycle growth, which may end up in the rage of 4 per cent on an annualised basis, can only result in higher prices or increased imports because domestic productive capacity has been taken up.

News that department stores had done well at Christmas, with car sales also strong in late December, were all that a bond bear could want.

On Tuesday, the Treasury long bond suffered its sharpest drop in a month and its yield climbed above 9 per cent.

Many people in the market were predicting the Fed would raise the discount rate if Friday's employment report for December confirmed this picture of rip-roaring business expansion.

The market waited for these statistics with more than usual attention, because of recent experience. It was unexpectedly strong job gains in the November and October employment reports that evidently persuaded the Fed to tighten the supply of credit. In fact, December's figures were plumb on the markets' forecasts. Non-farm payrolls expanded by 279,000 people, and the jobless rate fell one-tenth of a percentage point to 5.3 per cent.

But although this is the lowest rate since an employment peak in May 1974, it does not yet appear to be a labour shortage that would send wages spiralling up.

One measure of wages – the hourly earnings index for production workers – stood only 3.7 per cent higher last month than in December of 1987. In contrast, this week's producer price index for December will probably show inflation running at 4.5 per cent or more.

Moreover, as Mr Robert Brusca, of Nikko Securities, pointed out on Friday, the number of jobs went up but the work week and overtime came down. "Of the 30 major industry sectors," he said, "22 of them showed a shorter work week in December compared with November, three were unchanged in length and five expanded.

"It appears that the job gains that we are observing reflect the substitution of workers for hours rather than outright economic strength."

Expectations of an immediate discount rate rise died out in the course of Friday morning. But this did not stop the market from trying to divine the Fed's monetary intentions in the entrails of short-term rates.

Federal funds, the interbank overnight loan rate, ended the week at 9 per cent. This is comfortably higher than the 8.75 per cent that ruled after the Fed's last intervention in December.

But it is hard to know at this stage whether the Fed has settled on a new rate for Fed funds above 9 per cent, although one newspaper, citing government officials, reported this on Wednesday.

Fed funds are still trading a little eccentrically after the distortions in the rate caused by year-end balance sheet adjustments. And the Fed's trading desk last week gave what looked like generous doses of liquidity to the banking system.

The best guess is that the Fed has no great desire to notch rates upwards because this risks tipping the economy into recession. The recent strength of the dollar helps to justify doing as little as possible.

The dollar's performance this year has been bizarre. Having fallen as fast as bonds on Tuesday, the unit rose at midweek after US and Libyan aircraft clashed in the southern Mediterranean. It then rose again on Friday, because the market believes the West German Bundesbank has given up its resistance to a stronger dollar.

A Gadaffi rally this year is no more implausible than a Gorbachev rally last year. But some of the dollar's strength must be attributable not to its safe-haven status but to a belated recognition that short-term dollar interest rates are a point higher than in the autumn.

In that case, the dollar may retain its strength and even enjoy a speculative run – at least until Wednesday week, the day when figures for the US trade deficit will be published.

James Buchan

FT/AIBD INTERNATIONAL BOND SERVICE

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STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem – exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
Closing prices on JANUARY 8

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Keen response to demands of acquisition financing

WITH THE holiday season out of the way, banks have plunged into the market for acquisition financing in earnest.

Pechiney, the French state-owned aluminium supplier, has taken the opportunity to refinance much of the $2.4bn in high-interest debt it acquired along with its recent purchase of US-based Triangle Corp.

The company is seeking a $1.5bn multiple option facility with a five-year maturity, reducing to $1.1bn after three years.

There is a multi-currency option and a tender panel for short-term advances. The margin is set at ⅜ point over London interbank offered rates (Libor) with a facility fee of ⅛ and a utilisation fee of ⅛ if more than half the facility is drawn.

The French Government guarantee on the loan implied by its ownership of Pechiney is allowing the company to refinance the 14 to 15 per cent junk bonds issued by its newly acquired subsidiary at a much lower cost.

But should the Government decide to sell Pechiney to private investors, banks would be unlikely to extend any credit to the company on those terms.

Therefore, the loan contains a covenant under which Pechiney will officially be in default on the full $1.5bn loan if the Government's stake falls below 50.1 per cent of the company.

Arrangers for the loan are Chase Investment Bank, Banque Nationale de Paris, Citicorp Investment Bank and Crédit Lyonnais.

Meanwhile, Standard Chartered has begun syndication of a two-part £187m financing for the management buy-out of BPCC, Britain's largest commercial printer, from Maxwell Communications Corporation.

The loan includes a £40m mezzanine facility in the form of a 10-year term loan with margins of 3 percentage points over Libor.

Those banks in the facility will also be granted equity warrants exercisable into the total share capital of the company, making them investors in the company along with the company's management, Maxwell Communications and Electra Candover Investment Plan.

The warrants will not be valued until shares in BPCC are offered in a public flotation – an event the company's new management has said will occur within five years.

Terms of the equity warrants have not been disclosed and Standard Chartered is said to be inviting banks into the mezzanine financing on a selective basis.

The senior portion, a £197m eight-year term loan, has just been put into syndication.

Banking sources said that Standard Chartered had been trying to form an underwriting group since early December.

Banks have been cautious about the facility as they feared that additional capital expenditures called for in the management plan would weaken interest coverages. The loan will pay interest at 1¼ percentage points over Libor and offers front-end fees ranging from ¼ to ¾ points.

Acquisition financing for the previously announced merger of Financière Crédit Suisse First Boston and First Boston of the US is also in the market. The $725m loan is to SSO, a company controlled by Mr Suliman Olayan, a prominent Saudi businessman who has agreed to be a temporary investor in the new, privately held corporation until a permanent investor can be found for his 31½ per cent stake.

The loan has a final maturity of under two years and will be repaid when the stake is sold. Margins range from 21⅛ to 26¼ basis points over Libor.

The loan is securitised by Mr Olayan's shares in the new corporation, which is known as CS First Boston. Underwriters and co-arrangers are Banque Nationale de Paris, Continental Bank, Midland Bank and National Westminster Bank.

Also in the syndicated loan market is an Ecu150m eight-year term loan for Comunidad de Madrid, a Spanish province. Manufacturers Hanover is arranging the credit along with Banesto.

Margins are 17½ basis points for the first five years, rising to 20 basis points for the the last three years. There is a five-year grace period and participation fees ranging from 10 basis points to four basis points.

Funds will be fully drawn immediately.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	26.7	0.0	0.0	4,425.4
Prev	499.5	0.0	374.9	3,029.0
Other	949.8	0.0	95.3	1,109.3
Prev	540.2	0.0	3.6	1,488.6
Secondary Market				
US$	3,148.4	557.8	1,144.2	3,219.6
Prev	5,296.7	794.1	2,918.3	2,797.1
Other	4,759.7	221.5	1,433.7	6,776.4
Prev	9,742.5	630.5	1,758.4	14,078.3
	Cedel	**Euroclear**	**Total**	
US$	4,874.0	7,853.8	12,727.7	
Prev	3,807.6	10,982.0	14,789.4	
Other	7,374.9	8,134.3	15,509.2	
Prev	12,741.7	16,380.1	28,671.8	

Week to January 3, 1989 Source: AIBD

INTERNATIONAL BONDS

High-coupon issues set brisk new year pace

EUROBOND markets have sprung back to life in the first week of the new year, shaking off their holiday lethargy. High-coupon Eurobond issues tailored for the archetypal Belgian dentist are now clearly the order of the day.

Dollar straight Eurobonds were conspicuous only by their absence.

Instead, what has emerged is an explosion of deals carrying double digit coupons for names that Continental European investors have long been comfortable with.

The success of most of the new issue volume has made underwriters bold. The question now is, who are these issues really going to and how much more demand is out there?

Last week's markets were dominated by the double digit currencies. There were six issues totalling C$1.17bn, 12 which totalled A$835m and six amounting to Ecu590m.

By all accounts, virtually every issue in these three currencies has been swapped into some other one – there are precious few end-users for each of them.

Currently, swap rates are said to be quite spectacular in some currencies. For instance, Australian dollar bonds have been swapped into floating-rate US dollars at 30 to 50 basis points under London interbank offered rates (Libor). And Unilever Capital Corp's Ecu115m four-year bond, launched last Friday, was said to have been swapped into floating-rate funds at 65 basis points under Libor.

West Germany emerged as the largest single buyer for the Australian dollar issues launched last week. The demand partly reflects a huge volume of maturing debt in that currency, estimated by officials at Hambros Bank to be about A$600m for January alone.

In addition, there is a substantial amount of D-Mark denominated coupon income that is paid in West Germany in January and which must be invested.

For a variety of reasons, a portion of that may well be turned to the Australian dollar sector.

For one thing, the D-Mark looks relatively weak against some currencies now. Economists at Morgan Stanley point out that the D-Mark has fallen to DM1.55 against the Australian dollar, from DM1.47 just three months ago.

And while investors can earn yields as high as 15 per cent on some new two-year Australian dollar bonds, yields are no more than 6¼ per cent to 6¾ per cent on D-Mark Eurobonds.

Meanwhile, top-quality corporate borrowers are reaching out to Swiss investors via Ecu issues. While the Ecu offers a single digit coupon, the yield is substantially above that available on bonds denominated in Swiss francs.

Johnson & Johnson, the US health care and personal products manufacturer, made its debut in the Eurobond markets last week via a three-year Ecu100m bond bearing a coupon of 7¾ per cent and priced at 101⅜ per cent. The issue, lead managed by Merrill Lynch, is rated AAA and closed more than 20 basis points inside its 1⅜ per cent fees.

The success of the issue reflects what is increasingly a two-tiered market in Switzerland, with far greater demand seen for top-ranked corporates than for sovereign borrowers.

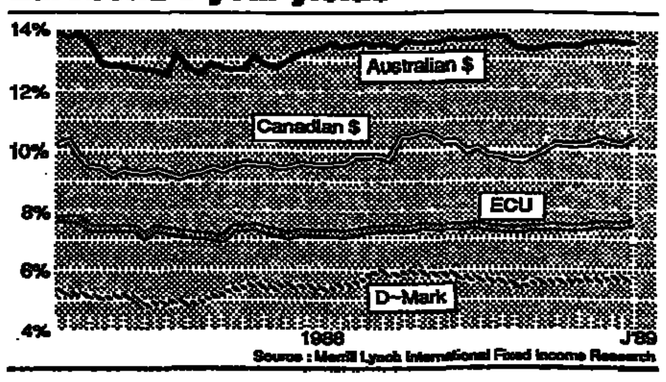
The lukewarm reception accorded a Ecu125m four-year deal for Finnish Export Credit illustrates the point. The deal, also rated AAA, yielded a full 25 basis points more than Johnson & Johnson but traded ⅛ outside its fees late in the day.

Dealers attribute the different receptions to the relative scarcity of corporate bonds denominated in Swiss francs in the past year. This partly reflects the increased costs of arranging currency swaps for corporate borrowers as a result of new international guidelines on bank capital adequacy. Currency swaps for sovereign borrowers carry lower reserve asset costs and are cheaper to arrange.

● The Association of International Bond Dealers said its TRAX trade matching and reporting system is in operation and is being used by 60 market makers. The AIBD had earlier said it would require all 112 market makers in Eurobonds to begin using the system by January 3.

Norma Cohen

Eurobond 5-year yields



NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sumitomo Bank§	300	2004	15	(3¼)	100	Sumitomo Finance Int.	★
Komatsu Ltd.♦	300	1993	4	(4½)	100	Nomura Int.	★
Nichimen Corp.♦	200	1993	4	(4⅝)	100	Daiwa Europe	★
CANADIAN DOLLARS							
Int.Thomson♦	125	1994	5	11½	101.85	ScotiaMcLeod	10.999
Bqe Nat. de Paris♦	100	1992	3	11⅛	101.45	Deutsche Bk Cap.Mkts	10.537
Province of Alberta♦	650	1994	5½	10¾	101⅝	Banque Paribas	10.316
BNL Overseas Finance♦	100	1991	2	11¼	101⅜	Prudential-Bache	10.453
Montreal Trustco♦	100	1994	5½	11¼	101⅞	Wood Gundy	10.745
GMAC Canada♦	100	1994	5	11	101⅞	Morgan Stanley	10.499
AUSTRALIAN DOLLARS							
Ford Credit Australia♦	50	1992	3	14¾	101⅞	Hambros Bank	13.943
National Australia Bk♦	150	1994	5	14¾	101⅞	Hambros Bank	14.201
Montreal Trustco♦	50	1991	2	15¼	101¾	NatWest Cap. Mkts	14.185
Akzo♦	70	1992	3	14⅝	101½	Amro Bank	13.979
Swedish Export Credit♦	75	1992	3	14½	101¾	Westpac Banking	13.749
Olivetti Int.♦	30	1993	4	14½	101¾	Bayerische Vereinsbk	13.901
CIBC♦	50	1991	2	15¼	101¾	Wood Gundy	14.185
Rural & Ind.Bk.W.Aus.♦	60	1991	2	15¼	101⅝	Merrill Lynch	14.260
WestLB Int.Luxembourg♦	75	1992	3	14½	101½	WestLB	13.855
IBM Australia Credit♦	75	1993	4	14⅝	102	Westpac Banking	13.693
State Bk S.Australia♦	75	1991	2	15¼	101¾	Hambros Bank	14.185
Bayerische Landesbank♦	75	1992	3	14½	101½	Hambros Bank	13.865
NEW ZEALAND DOLLARS							
Svenska Handelsbanken♦	50	1992	3	14¼	101⅞	Hambros Bank	13.450
D-MARKS							
Royal Insurance♦	250	1994	5	5⅝	101	Commerzbank	5.392
Soc.Generale Bk Ned.♦	200	1994	5	5⅝	101⅜	Soc.Gen.-El'sche Bk	5.305
Eurofima♦	300	1998	10	6¼	101½	Deutsche Bank	6.046
Sumitomo Bank§	300	1994	5	(2¾)	(100)	Dresdner Bank	★

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
SWISS FRANCS							
OKB♦	100	1999	-	4¾	101	SBC	4.623
OKB♦	100	2009	-	5	100¾	SBC	4.940
Sumitomo Bank§	350	1994	-	(½)	100	UBS	★
Sumitomo Bank§★★	350	1994	-	(½)	100	Banca del Gottardo	★
Hiroshima Bank§★★	100	1993	-	(½)	100	UBS	★
Heron Int. BV♦	150	1999	-	5½	100	Credit Suisse	5.500
AluTeam KGAA(e)★★♦	40	1994	-	3½	100	Bank Julius Baer	3.500
Union Bank of Norway★★♦	75	1993	-	4¾	100⅜	J.P. Morgan Secs.	4.645
Maruko Inc.§★★	70	1993	-	(½)	100	Morgan Stanley	★
ECUs							
Ford Motor Credit♦	100	1993	4	7⅞	101⅝	Banque Paribas	7.465
CNT♦	100	1994	5	7¾	101½	Deutsche Bk Cap.Mkts	7.381
Kredietbank Int.(d)♦	50	1994	5	0	69.625	Kredietbank NV	7.509
Unilever Cap. Corp.♦	115	1994	5	7⅝	101¾	SBCI	7.198
Johnson & Johnson♦	100	1992	3	7¾	101⅜	Merrill Lynch	7.224
Finnish Export Credit♦	125	1993	4¼	8	101⅝	Bankers Trust Int.	7.524
STERLING							
Deutsche Bank Finance♦	75	1994	5	11	101¼	Baring Brothers	10.665
Trafalgar House♦	100	2014	25¾	10⅞	98.208	Kleinwort Benson	11.075
Granada Group♦	75	2019	30	11¼	101.162	Warburg Secs.	11.115
Cheltenham & Glouc(a)‡♦	125	1994	5	1/16	100	UBS (Secs)	-
Nat. & Provincial(b)‡♦	100	1999	10	⅛	100	Warburg Secs.	-
BNP♦	75	1994	5	11⅜	101¾	CSFB	10.903
Thorn EMI Capital(c)§♦	103	2004	15	5¾	100	Warburg Secs.	5.750
Yorkshire B/S(f)‡♦	100	1994	5	10bp	100	Hambros Bank	-
YEN							
Royal Bk of Canada(g)♦	6bn	1993	4	6.2	101⅝	Nippon Credit Int.	5.734

★Not yet priced. ★★Private placement. ⊕With equity warrants. §Convertible. ‡Floating rate notes. ♦Final terms. a) 1/16 over 3m Libor. b) ⅛ over 3m Libor. c) Convertible preference shares. d) Redemption linked to BFr. e) With 'going public' warrants. f) 10bp over 3m Libor. g) Redemption linked to Nikkei stock index. Note: Yields are calculated on AIBD basis.

Dai – Ichi Kangyo gets SE listing

By David Lascelles, Banking Editor

DAI-ICHI Kangyo Bank, the world's largest bank in terms of assets, is having its shares listed on the London stock exchange today.

Mr Yoshiteru Murakami, deputy president, said the listing reflected the bank's growing awareness of the importance of international shareholders, as well as the standing of London as an international financial centre.

He said that DKB was also taking into account the new internationally agreed guidelines on bank capital which will oblige his bank to increase its equity ratio. He said this would be accomplished ahead of the agreed 1992 deadline through a combination of retained earnings, slower asset growth and rights issues, though the bulk of these had already been done.

Although DKB leads the world size league, it is not the largest bank in terms of either market capitalisation or profits. Mr Murakami said this was because DKB had too large a staff, though this problem was being addressed, and profitability was increasing.

Foreign shareholders currently hold about 1 per cent of DKB's stock. Mr Murakami said he expected this to rise to 5-10 per cent.

The introduction to the London market was arranged by BZW, with de Zoete & Bevan acting as brokers. DKB is the fourth major Japanese bank to obtain a London listing in recent months. More are still expected.

Lopex buys in Norway

Lopex, advertising and communication group, is paying NKr1.7m (£150,000) cash for Norway's biggest public relations consultancy. The business, formerley known as Publicity Gruppen, was a profitable subsidiary of Forann-Konsernet which is in receivership. Following a reorganisation, it will trade as Grayling Publicity with forecast annual revenues of NKr16m.

Moving up a gear in the land of leisure

David Waller casts an eye over Brent Walker's most ambitious takeover to date

THE UK leisure sector has traditionally been dominated by strong, colourful characters. Names to conjure with include Richard Branson at Virgin, Charles Forte at Trusthouse Forte, Lord Delfont at First Leisure, George Martin at Pleasurama and – further back – Billy Butlin at the holiday group which still bears his name.

Mr George Walker, chairman of the Brent Walker leisure group, belongs fairly and squarely within this tradition and in the past few years, the company which bears his name has been among the UK's most dynamic leisure operators – if not the most dynamic – and one of the stock market's best performers.

Last month, Mr Walker made his most ambitious move to date with the acquisition of Lonrho's European drinks businesses and Ellerman Holdings, the drinks interests of the Barclay Brothers.

The £500m move has left Brent Walker highly geared and open to criticism that it has paid far too much to venture into a low-growth business area of which it has little experience.

After a recent run of remarkable successes, memories have been revived of over-ambitious projects in the past. The question on everyone's lips is, has Mr Walker overstretched himself this time?

Mr Walker is more colourful than most of his fellow leisure entrepreneurs. He began his career over 40 years ago as a porter in the Billingsgate fish market and once served a two year prison sentence for stealing nylons from the Royal Victoria docks.

He spent his early 20s as a (very successful) professional boxer before a particularly vicious title fight forced him out of the ring. He then went on to manage his brother Billy's own boxing career. The "Blond Bomber" – as Billy came to be known – earned enough prize money which was in time invested in the Billy's Baked Potato restaurant chain, one of Britain's first fast food chains.

This was decades ago. The curious thing for observers of Mr Walker's subsequent career is how much of a late starter he is in Big Business. True, in 1976 he did win a reputation for innovation in the property world with the UK's first covered regional shopping centre at Brent Cross in conjunction with the Hammerson property group.

He also helped boost Joan Collin's career as screen termagant with two Brent Walker films, The Stud and The Bitch. But although he found a stock market listing as long ago as May 1974 – when his businesses were reversed into the quoted Hackney & Hendon Greyhounds group – it is only in the last three and a half years that he has really made his mark.

During that time, the pace has been frenetic, and hundreds of millions of pounds of shareholders' money have been spent on a spate of acquisitions. Last month's £500m purchases came at the end of an 18-month period in which Mr Walker bought – among other things – Lonrho's casino interests (for £127m), 386 pubs from Grand Metropolitan (another £47.5m), the Elstree film studios and the Trocadero centre, and launched a £75m joint venture to build 1000 houses at Le Touquet in Normandy.

Capitalised at £34m in May 1985, when Brent Walker rejoined the stock market after a three-year absence (Mr Walker took it private in September 1982 amid dire problems in the film business and at a shopping arcade in Oxford Street) the market now values it at £291m. It has assets of £600m and debts of £900m.

What enabled this expansion to take place? The answer seems to lie in the coincidence of a bull market in UK equities – which allowed Mr Walker to push out paper to fuel his acquisitions – and the successful exploitation of Brighton Marina on the Sussex coast.

He paid £13m for the 13-acre site and outlined grandiose plans which encompassed building 5,000 houses, opening a superstore, leisure centre and hotel. The stock market viewed the scheme with total scepticism as the this site had absorbed £50m of investors' money before Mr Walker agreed to take it off the hands of grateful institutions in May 1985.

But Mr Walker sold the supermarket site for £10m, and then announced a deal with a housebuilder which gave him £17.5m for the land and a share of future profits.

George Walker – a late starter in Big Business

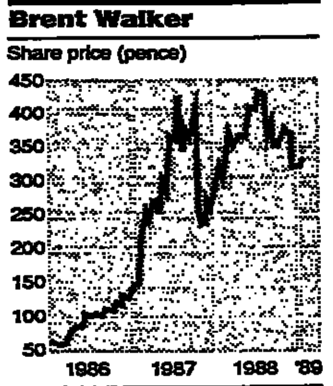
Once denounced as a white elephant, Brighton Marina is now hailed as an unqualified success. As an asset, it is worth more than ten times what Brent Walker paid for it, and it is set to contribute a substantial stream of profits for years to come.

Mr Walker's success at Brighton is the basis of his reputation as a canny deal-maker, a far-sighted opportunist. He seems set to repeat the trick at a number of sites dotted around continental Europe – Le Touquet in France, Puerto Sherry in Spain and an as yet unidentified site in Minorca.

It has been a rewarding time for those investors who backed Brent Walker in 1985 (since the relisting, the shares have outperformed the market by 250 per cent) – but also a confusing one. At first, the bulk of the company's profits came from the film and video side (which in 1984 contributed fives times as much to profits as all the other divisions put together).

Profits from housing sales at Brighton dominated group profits for a while, soon to be replaced by the casinos which accounted for between 40 and 50 per cent of profits after the acquisition from Lonrho in the summer of 1987. And now, following last month's acquisitions, the group has changed its complexion all over again.

Hitherto, the Brent Walker had been known for its skill in acquiring cash generative businesses underpinned by property assets with enormous development potential. By this yardstick, the latest deals – which gave Brent Walker the Whyte & Mackay whisky business, four French vineyards, 835 pubs and two breweries – appeared a lurch into the unknown.



Moreover, the exit multiples appeared astronomically high (for the Lonrho businesses, Mr Walker paid £180m. The pre-tax profit last year was only £2.2m). At a stroke, Mr Walker destroyed much of the credibility he had as a deal-maker and did much to reduce his company's uniqueness – in stock market terms – as a property/leisure group. The shares dropped by more than 5 per cent from 354p on the day the first deal was announced and sank as low as 313p.

Mr Walker maintains that the latest moves are part of a carefully planned strategy, designed to establish Brent Walker – for the first time – in a straightforward trading business on an international scale.

Moreover, he has a number of ingenious arguments to prove that the level of profits at the companies acquired was grossly unrealistic and that the sale price could be reduced dramatically through the sale of assets such as the chateaux, now valued at £90m. As Mr Walker's message got across last week, the shares rallied and stood at 330p on Friday.

In future, the aim is to concentrate on three core businesses: drinks, film and leisure, all underpinned by property. In theory, it would make Brent Walker more attractive to stock market investors by reducing dependence on (a) the cash-flow from the notoriously volatile casino market and (b) high-risk, high return projects like Brighton Marina.

Despite overwhelming approval for the latest deals from shareholders, the company is still viewed with considerable scepticism in the market – as reflected in a share price which stands at less than half the asset value of 700p a share.

There are many reasons for this. With gearing at 150 per cent, there are fears that the group has overstretched itself financially. Moreover, Mr Walker has little experience of the competitive international drinks market. Shareholders know they will be in for more corporate gyrations as he sorts out his balance sheet – through disposals, presumably – and enacts a grand plan for his film and television interests (which at the moment look untidily arranged).

Shareholders with long memories recall that some of Mr Walker's grand plans in the past – to build a chain of hotels in the Middle East, for example – came to nothing. He did build a hotel in Cairo, but that was sold in 1979.

And Mr Walker caused quite a controversy when he brought the company back to the market in 1985. He bought it himself for £3.22m in 1982 and floated it for ten times as much three years later by the simple expedient of selling the worst performing part of the business – which led to a post-tax loss in the first half of 1982 – and presenting the historical accounts without the losses. The retained business thus had an unbroken five year record of profits growth.

Even if the latest plans do come off, and time does prove the 59-year old Mr Walker a strategist of vision, the company will still be vulnerable to one longer term worry. Like many leisure empires built up by individualistic entrepreneurs, it seems unlikely that Brent Walker could be run by anyone other than its pugnacious founder.

Ladbroke expands in the US via $41m race track purchase

By David Waller

LADBROKE GROUP, the diversified international leisure group currently in the throes of a bid for Thomson T-Line, took its mind off the UK takeover scene yesterday to announce the $41m (£23m) acquisition of the Golden Gate Fields race track in San Francisco.

The track – which can accomodate up to 25,000 race-goers and has a premium position overlooking the San Francisco bay and the Golden Gate bridge – is one of California's leading thoroughbred race-courses and one of two major satellite wagering operations in the north California wagering zone.

Ladbroke said yesterday that its experience of the off-track betting business in other parts of the US would allow it to develop the market further in prosperous northern California.

Golden Gate Fields and Bay Meadows, the other major race track in that area, currently operate their own 22-week racing programmes 5 days a week and screen each other's programmes live for satellite wagering.

Last year, Golden Gate's betting business generated turnover of approximately $350m. Ladbroke's other operations in this field include The Meadows race track in Pittsburg. Ladbroke's also recently won the sole licence to conduct a betting business in the state of Wyoming.

On the home front, the first closing date for Ladbroke's £165m offer for Thomson T-Line passed on Saturday. Details of the initial take-up will be announced today and are expected to show a very low level of acceptances. Thomson's share price has remained well above Ladbroke's 80p a share offer, buoyed by speculation that a "white knight" is set to enter the fray with a higher offer.

Savage £6m expansion with Pan acquisition

By Clare Pearson

SAVAGE GROUP, a fast-expanding DIY hardware concern, is paying a maximum £6m in shares and cash to buy Pan, an Aylesbury-based DIY wholesaler.

The initial consideration of £3m will be satisfied as to 35 per cent by the issue of 640,244 ordinary shares. The deferred payment depends on profits over the next two years.

Pan sells a range of garden products, such as wire and plastic netting and bamboo canes, to wholesalers under its brand name. Pre-tax profits were £452,000 on sales of £3.84m in the year to end-June 1988.

Savage, which made £7m during the same period, has been highly acquisitive of companies in France as well as UK.

Ram Puri lifts Syphon stake

Mr Nathu Ram Puri and Melton Medes, the private industrial group he heads, have increased their stake in British Syphon Industries from 22.4 per cent to 23.6 per cent.

They are opposing the management's £49.9m offer for Syphon, which reached its second closing date last Friday. At the first closing date on December 16, the management owned or had received acceptances of near 30 per cent.

Coalite buys Bothel Limestone

Coalite Group, smokeless fuel, oil and chemical distribution company, has acquired Bothel Limestone & Brick, a limestone quarry operator, for £3.3m.

Bothel, based in Cumbria, makes limestone aggregates, coated products, bricks and ready mixed concrete for the Cumbrian market.

The initial payment of £2.8m will be satisfied by the issue of 705,103 new Coalite shares and £449,313 in cash.

SHARE STAKES

Changes in share stakes which took place recently included:

Bardon Group – Incastop, a company controlled by Mr PWG Tom, a director, has bought 5,000 ordinary at 161p each, increasing his beneficial holding to 7.66m (11.16 per cent). His non-beneficial interest remains 4.02m ordinary

Lanca – Mr CJ Gidoomal, a director, has acquired 50,000 ordinary (0.43 per cent) to make his total holding 1.56m (13.32 per cent). The shares are registered in the name of Taskhead.

Ropner – Mr WGD Ropner, Mr JV Ropner, Mr RBB Ropner and Sir John Ropner, directors, have bought 25,000 ordinary (0.38 per cent) at 115p, bringing their total holding to 414,769 shares (6.34 per cent). The shares are registered in the name of Mainsforth Investments.

Town Centre Securities – Junction Nominees has acquired 2.3m ordinary (2.447 per cent) and now holds 5.24m (5.582 per cent).

Windsor – Channel Hotels and Properties has acquired 336,600 ordinary and now owns 3.89m (14.74 per cent).

FINANCIAL TIMES STOCK INDICES

	Jan. 6	Jan. 5	Jan. 4	Jan. 3	Dec. 30	Dec. 29	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.70	86.65	86.80	86.85	87.03	87.20	91.43	86.18	127.4	49.18
Fixed Interest	96.00	95.97	95.93	95.97	96.01	96.01	98.67	94.14	105.4	50.53
Ordinary	1481.3	1471.5	1459.8	1447.8	1455.3	1463.1	1514.7	1349.0	1926.2	49.4
Gold mines	163.4	161.7	162.1	160.7	161.9	162.6	312.5	160.7	734.7	43.5
FT-Act All Share	935.77	929.97	926.49	921.22	926.59	930.43	978.58	870.19	1238.57	61.92
FT-SE 100	1811.3	1799.5	1793.0	1782.8	1793.1	1803.4	1879.3	1694.5	2443.4	986.9

UK COMPANY NEWS

Wardle says its £82m bid for Armstrong will not be raised

By Clare Pearson and David Waller

WARDLE Storeys, plastics manufacturer and security equipment group, yesterday formally declared that its hostile £82m bid for Armstrong Equipment will not be increased.

Mr Brian Taylor, Wardle's chief executive, said that the cash and share offer – pitched on a multiple of 20 times historical earnings – was generous enough as it stood.

The move was widely expected following Mr Taylor's comments last week that the situation at the motor components and industrial fasteners group was "disturbing and disappointing" and that an increased offer seemed unwarranted.

Mr Taylor repeated his claims that Armstrong's recent profits performance was "dismal" and that the company was beset by trading problems in both its core shock-absorber businesses and in its engineering and fasteners activities as well.

Armstrong responded to this yesterday by saying that "the offer is now worth less than it was when it was originally announced in November, and as such, is even more inadequate than it was then."

Armstrong also claimed that the bidder had ignored the "dramatic" improvement in Armstrong's profits in the second half of the current year, as expressed in a forecast of profits up to £8.5m from £5.7m, despite a 19 per cent fall in profits at the interim stage.

Armstrong said that this meant that profits in the second half would be up 150 per cent, thus providing evidence of "significant progress" being made by the new management.

Last week, Mr Roy Watts, Armstrong chairman, had responded to Wardle's criticism that the profits forecast was well below City expectations by saying that many analysts had underestimated the effects of a new accounting rule governing pension fund holidays.

The rule requires companies enjoying a pension fund holiday to provide a charge in their accounts based on the expected remaining service lives of employees and led to a £1.5m provision in Armstrong's forecast.

Armstrong's shares, valued at 155p under the shares-and-cash offer, closed 2p down on Friday at 159p.

Hanson wins loan holders' approval

By Nikki Tait

HANSON, the acquisitive UK conglomerate, has won approval from its loan stockholders for the proposed increase in the company's borrowing powers.

It has already secured similar approvals from ordinary and preference shareholders.

The result of yesterday's meeting means that Hanson's borrowing limit will increase from about £6.5bn to £11bn.

This is because, under the new borrowing powers, Hanson will be able treat goodwill arising on acquisitions as an asset when calculating its borrowing limit.

Its articles of association allow it to borrow up to two and a half times share capital and reserves, with the provision that cash deposits can be deducted from borrowings.

In the past, however, acquired goodwill has been deducted from the share capital and reserves figure before the multiplier has been applied.

The various shareholder and loan stockholder meetings - some of which had to be reheld when an insufficent number of proxies were delivered first time round - have also approved limited powers for the company to buy in up to 10 per cent of its shares, should it so wish.

COMPANY NEWS IN BRIEF

BTP has disposed of Tor Coatings to a management buy-out team for £2.15m, to be used to reduce borrowings.

COOKSON GROUP has bought Uzimet and its subsidiary ZHP, based near Delft, Holland, for a cash consideration not significantly relative to the net assets of Cookson. Uzimet is mainly a manufacturer of lead sheet and zinc products, principally for the building industry.

FISONS has signed an agreement with Squibb Corporation of New Jersey, US, granting it rights to develop and market Squibb's proprietary corticosteroid product, tipredane, in all world markets, except Japan, where it will be sold by both Fisons and Squibb. Tipredane is used in the treatment of diseases of the lung and nose.

OSPREY COMMUNICATIONS – Of the open offer of 755,406 new ordinary, issued in connection with the acquisitions of Acute-Marketing and Communications Group and Creative Sales, existing shareholders applied for 353,924 shares (46.85 per cent). The balance has been conditionally placed with institutional clients of Panmure Gordon.

TELEPHONE RENTALS – Cable and Wireless has acquired or received acceptances in respect of 81.56m TR shares (90.1 per cent) and intends to acquire compulsorily the shares in TR not already owned. The offer remains open.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Safeland (Section: Property).
Sanwa Bank (Banks).
Splash Products (Drapery & Stores).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Carclo Engineering, ML Holdings, Tomkins, Sheaf Bank Property.

FUTURE DATES

Interims-	
Adscene	Jan. 17
Fleming Overseas Inv	Jan. 10
Hawthorn Leslie	Jan. 12
Parkfield	Jan. 16
Practical Investment	Jan. 24
Stanco Exhibition	Jan. 16
Finals-	
Central Motor Auction	Jan. 23
Crest Nicholson	Feb. 16
First Leisure	Jan. 18
Gardiner	Jan. 12
Norfolk House	Jan. 16

Jessups preference rights result

Jessups recent rights issue of convertible cumulative preference shares of 50p each was taken up as to 293,877 shares (about 5.6 per cent).

LEGAL COLUMN

Recruitment drive for Crown prosecutors launched

By David Churchill

A SERIOUS shortage of trained lawyers in the Crown Prosecution Service - the body set up two years ago to handle criminal prosecutions - has forced it to launch an initiative to attract more solicitors and barristers in the face of stiff competition from industry, the Bar and private practice.

The CPS believes the opportunities available in criminal prosecution work are more exciting and interesting for many lawyers than the usual run-of-the mill cases.

It has appointed Ms Fiona King, a 35-year-old solicitor, to head a new recruitment drive in England and Wales for some 400 lawyers to raise the CPS's complement to just under 1,800.

"The marketplace is going to be difficult as there are not enough qualified lawyers to meet demand," she admits. But she believes many people misunderstand the role of the CPS and how it operates.

"In private practice I found the most interesting cases were spread too thinly," she points out. "Also, in private practice a lawyer may find a very competitive atmosphere with colleagues while the emphasis in the CPS is on a strong, professional team spirit."

The Crown Prosecution Service was launched in October 1986 as a result of the 1985 Prosecution of Offences Act. It replaced the previous long-established system whereby the majority of criminal cases in England and Wales were investigated and prosecuted by the police or prosecuted by solicitors acting on their behalf.

However, the Royal Commission on Criminal Procedure concluded in its 1981 report that the importance should be recognised of independent legal expertise in the decision to prosecute and conduct proceedings.

The 1985 legislation creating the CPS provided for the appointment of Crown prosecutors who are required to review any matter referred to them and decide whether a case should be prosecuted.

That means that once the police have completed their investigations and laid charges before the court, CPS staff decide whether the case should proceed. If so, they conduct the prosecution in a magistrates' court or brief counsel if the case goes on to crown court.

The CPS is responsible for the annual prosecution of more than 1m cases in the magistrates' and crown courts and operates out of 31 offices around the country.

The head of the CPS is the Director of Public Prosecutions. Mr Allan Green, QC, the present DPP, believes that "the CPS's greatest problem has always been the recruitment and retention of good staff." When he replaced Sir Thomas Hetherington as DPP in October 1987, he persuaded the Treasury to increase substantially CPS salaries, which had fallen behind the market rate.

Fiona King: emphasis on strong, professional team spirit

Low salaries and the demands of private practice and industry meant that the CPS never started at full complement, and the shortfall has remained ever since. That has forced it to use solicitors and barristers outside the CPS on an agency basis: in some areas more than half the magistrates' court cases have been handled by such agents.

Part of the difficulty is that the CPS is adamant that it should not let standards slip in the effort to meet its recruitment targets. In the inner London area, for example, as many as half the applicants are rejected. "We will continue to insist on high-quality lawyers," adds Ms King.

Ms King's own background meant several years as a defence lawyer in private practice dealing with matrimonial, commercial and civil cases as well as criminal cases. In 1981 she joined the county prosecuting solicitor's department at Maidstone, Kent, in a move to gain more experience as a prosecutor of criminal cases.

She was part of the team involved in the first murder trial to be handled in Kent outside the office of the DPP when a 15-year-old youth was convicted of stabbing a teenage boy to death for his small change.

Ms King was promoted to area prosecuting solicitor for Sussex before joining the CPS when it was set up in 1986 as a crown prosecutor in Kingston. Last week she took up her post as head of the new recruitment team, co-ordinating recruitment officers in each of the 31 areas.

"In the short term I will be trying to enhance the profile of the CPS," she says. "We offer a good benefits package, a recently increased, competitive salary, and a career with interesting and varied work."

The salary structure means that newly qualified solicitors in their early 20s could earn £13,125 outside London, with a further £2,680 for those working in London. There is also the prospect of extra income by working on Saturdays. Within a few years, such lawyers could earn £20,532 outside London without further promotion.

A senior Crown prosecutor outside London would start at £17,360, rising to £28,170 without further promotion.

Other fringe benefits associated with the Civil Service adds at least 15 per cent to those salaries, according to CPS estimates.

Ms King sees three important areas of recruitment. "The CPS offers a wealth of opportunities for those newly qualified who can take advantage of our training programme," she says.

"In addition, there are mature professionals seeking a mid-career change, or those coming back to work after a break."

One recent recruit was Mr Simon Reynolds, who had been a headmaster for 22 years at Newton-le-Willows as well as chairman of Bedale Magistrates' Court in North Yorkshire. However, he had also qualified as a barrister. He decided that joining the CPS would make an "interesting challenge" as a new career.

The CPS's desire to retain trained staff is shown by its flexible approach to the difficulty faced by Ms Libby Clark, a Crown Prosecutor since 1986, when she married in 1987. Her husband was based in Amsterdam and the CPS agreed a novel scheme enabling her to work every other week at the Crawley CPS office - conveniently located next to Gatwick Airport - and commute home to the Netherlands on a regular basis.

LEGAL APPOINTMENTS

LAW SOCIETY ADMISSIONS - DECEMBER 15TH 1988

ALLEN, Chee Kin Hui (Solicitor of the Supreme Court of Hong Kong) Mr, Hong Kong
ARCHIBALD, Francis Arnold (Solicitor and Barrister of the Supreme Court of Ontario) Mr, London
[illegible]
BARHAM, Emma Lynne B.A. Miss, London
BARRETT, Susan Jane Ms, Oldham
BELL, Eric Ashley B.A. Mr, Tynemouth, Northumberland
BELL, Jane Miss, London
BETT (?), [illegible] Ms, Birmingham
BIRCH, John Nigel M.A. (Cantab) M.A.,LLM (Cantab) Mr, [illegible]
BONTEL-GILL, Pierre Gerard LL.B Mr, London
BRICE, Anita Lucille B.A. Miss, London
BROADBENT, Charlotte Elizabeth Monica LL.B Miss, London
BROOMHEAD, Martin Phelan Mr, Salford
BROWN, Michael James Arnaud B.A. Mr, Halifax, Yorkshire
BROUGHTON, Deborah Jane B.A. Miss, Manchester
BROWN, Paul Anthony LL.B Mr, Hornchurch, Essex
BUCKLAN (?), Mary Elizabeth B.A. Miss, Loughton, Essex
BURGOYNE, Paul Roy Mr, Willenhall, West Midlands
CALWELL, Antony James Lewis B.A. Mr, London
CASTLE, Jacqueline Louise B.A. Miss, Dorking, Surrey
CHABRA, [illegible] Ms, London
CHANG, Peter Kay Tong LL.B Mr, Denham, Buckinghamshire
CLARKE, Alison Victoria Jane B.A. Ms, London
CLARKE, Sally-Ann LL.B Miss, [illegible], Carlisle
COCKBURN, Phillippa Jane LL.B Miss, Darlington, Co. Durham
COVER (?), Michael David LL.B Mr, London
CRAIG, Sean Thomas B.A. Mr, London
CRIPPS, Jonathan Richard Cabourne LL.B Mr, [illegible]
[illegible]
EVANS, Matthew Paul B.A. Mr, London
EVANS, Jane Susan LL.B Mrs, Fleckney, Leicestershire
FACEY, Julian Andrew B.A Mr, Romford, Essex
FARR, [illegible]
FERDINAND, Yelena Denise LL.B Miss, London
FISHER, Thomas Patrick LL.B Mr, Birmingham
FLAVELL, Lynn David LL.B Mr, London
FORREST, [illegible] B.A. B.C.L. Mr, Bath
FOYSTER, Robin Charles Mr, Lincoln, Lincolnshire
GARNETT, Alison Margaret LL.B Mrs, [illegible], Chester
GILLAN, Adrian Charles Mr, Dartford, Kent
GODDEN, Claire Joy B.A. Ms, Bedford, Beds
GROOM, Barbara Kay LL.B Mrs, Willenhall, West Midlands
HADFIELD, David William M.A Ph.D Mr, London
HALL, Stephen John Mr, Plymouth
HANSON, Bruce John LL.B LL.M Mr, London
HARDY, Jeremy Christopher LL.B Mr, West Jesmond, Newcastle-Upon-Tyne
HARRISON, Vanessa LL.B Miss, Hexham, Northumberland
HART, Nicola Jane B.A. Miss, Didcot, Oxon
HAYES, Sarah Elizabeth B.A. Miss, [illegible], London
[illegible]
INNES, Alison Margaret LL.B Ms, Caerphilly, Mid Glamorgan
JAMES, Alexander Michael LL.B Mr, London
JANKI, Mary Melinda LL.B B.C.L. Miss, London
JASKOLSKI, Paul Stanley Mr, Bournemouth
JEFFERIES, Michael Ian B.A. Mr, Winsford, Cheshire
JONES, Camilla Nicola LL.B Miss, Romsey, Hampshire
KELLY, Madeline Mary LL.B Mrs, Loughborough, Leicestershire
KENT, Mary Gerard Miss, London
KESTEVEN, Maureen Anne B.A. Mrs, Newcastle Upon Tyne
KIM, Soyoon B.A. Miss, London
KINGSTONE, Mark Andrew B.A. B.C.L. Mr, Kingston upon Thames, Surrey
KIRKPATRICK, Andrew James LL.B Mr, Blackburn, Lancashire
LAKHANI, Sandeep LL.B Mr, Reading, Berkshire
LANDER, Alan Oliver LL.B Mr, London
LAW, Elsa Pik-Nae LLB Ms, London
LAWSON, Margaret Kay B.A. Miss, Newcastle Upon Tyne
LEVY, Clifford Philip B.A. Mr, Stanmore, Middlesex
LEWIS, Jane B.A. Ms, London
LEYLAND, Jonathan Peter B.A. Mr, Newcastle Upon Tyne
LLOYD-WILLIAMS, Jane LL.B Miss, Cardiff
LOGUE, Cassie Marie LL.B Miss, St. Helens, Merseyside
LONGVILLE, Anthony Charles B.A. Mr, Plymouth
LUQMANI, Jawaid Ahmed LL.B Mr, London
LUSTIGMAN, Lisa Rose Fabian B.A. Mrs, London
MACRISH PORTER, James Alexander LL.B Mr, London
MACEY, Gillian LL.B Mrs, Tonbridge, Kent
MCDONALD, Shirley Ms, Baldrine, Isle of Man
MCKERVEY, Martin James Claude LL.B Mr, Sheffield
MCLELLAN, John Paul LL.B Mr, Enfield, Middlesex
MCMILLAN, Alastair Paul LL.B Mr, St Albans, Herts
MEHRAN, Tania Suzanne LL.B Mrs, Sidcup, Kent
MILLAR, Mary Diane LL.B Miss, London
MILNER, Lesley Ann LL.B Mrs, Brough, North Humberside
MINEARDS, Ronald Mr, Duston, Northampton
MONTY, Craig LL.B Mr, London
MOSS, William Henry LL.B Mr, Derby
MULLINS, Dawn Victoria B.A. Mrs, London
NIGHTINGALE, Paul Mr, Bolton, Lancs
NOVY, Roderick Paul B.A. Mr, London
O'CALLAGHAN, Anthony Michael B.A. Mr, Port Talbot, West Glamorgan
O'DONOVAN, Hugh Robert Patrick B.A. Mr, Godalming, Surrey
OLISA, Lily LL.B Miss, Manchester
PALMER, John Akinkunmi B.A. Mr, London
PARRY, Gareth Meredydd LL.B Mr, Newtown, Powys
PEARL, Jonathan Edward B.A. Mr, London
PIERI, Myria Andrews B.A. Mrs, London
PIRI, Dominic Augustus M.A. Mr, London
PINSENT, Tonya Mary B.A. Miss, London
PITROFF, Edeltraud Hildegard LL.M Ms, London
POORE, Alasdair David Mr, London
PRUDHAM, Bryan Michael LL.B Mr, Newcastle upon Tyne
RAMSBOTTOM, Donald Anthony B.A. LL.B Mr, Hayling Island, Hants
REDFERN, Paul Ainsworth Mr, London
RITCHIE-NOAKES, Nancy Rose B.A. Mrs, Malpas, Cheshire
ROGERS, Martin David LL.B Mr, London
ROWE, Margaret Grace B.A. Miss, London
ROWLAND, Amanda Kate B.A. Miss London
ROY, Steven Ashley LL.B Mr, Birmingham
SAUNDERS, James Henry LL.B Mr, London
SCORE, Catherine Andrea B.A. Mrs, Twickenham, Middlesex
SHELLIEN, Martin LL.B Mr, Liverpool
SILVESTER, Mary Catherine Elizabeth B.A. Miss, London
SIMPSON, Debra B.Sc Mrs, Stokesley, North Yorkshire
SINANAN, Nafisi Sharon (Solicitor of the Supreme Court of Trinidad & Tobago) Ms, London
SMITH, Margaret Elizabeth Teresa Ms, Hertford, Herts
SOUTHWELL, Andrew James LL.B Mr, Caterham, Surrey
STANNARD, Nigel Richard LL.B Mr, Long Ditton, Surrey
STEVENS, Barbara Ann LL.B Ms, Sheffield
STEVENS, Sylvia Ann Mrs, Bracknell, Berks
STROMACH, Jonathan B.A. Mr, Cullompton, Devon
SWAN, Maeve Josephine B.A. Miss, London
SYMMONDS, Sian Elizabeth B.A. Miss, London
TAYLOR, Robin Duncan B.Mus D.Phil Mr, Nottingham
THOMAS, Carol Elizabeth LL.B Miss, Swanley, Kent
THOMAS, Joanne Frances B.Sc Miss, Dinas Powys, South Glamorgan
THOMAS, Julie Celeste Mrs, Rotherham
THOMSON, Barbara Alison LL.B Mrs, Clacton-on-Sea, Essex
TSANG, Kwok Ching (Solicitor of the Supreme Court of Hong Kong) Mr, Hong Kong
VARA, Minaxi Lakhmani LL.B Miss, London
VASSILIADES, Alexander Leucas B.A. LL.M Mr, Walton-on-Thames, Surrey
WALKER, Jacqueline LL.B. Miss, Walsall, West Midlands
WALSH, Jacqueline Ann LL.B Miss, Heywood, Lancs
WALSH, Jonathan Gerald Farrington LL.B Mr, London
WALTON, Christopher Mark, M.A. Mr, Wilmslow, Cheshire
WALTON, Philip William LL.B Mr, Newcastle upon Tyne
WARNER, Troy David B.A. Mr, Milton Keynes, Buckinghamshire
WARRINGTON, Stephen LL.B Mr, Walsall
WEINBERG, Jonathan Philip LL.B Mr, Ilford, Essex
WESTON, Mark Henry Arnold B.A. Mr, Shifnal, Shropshire
WHITE, Gillian Helen B.A. Miss, London
WHITTAKER, Stephen John B.A. Mr, London
WILLIAMS, David Geoffrey Mr, Exeter, Devon
WILLIAMS, David Hywel LL.B Mr, London
WILSON, Jeremy Lawrence B.A. Mr, Oxted, Surrey
WILSON, Juliet Marie LL.B Miss, London
WOOD, Sharon Mary B.A. Miss, London
WRIGHT, Andrew William B.A. Mr, London
WYDELL, Paul John Mr, Skegness, Lincs

DIARY DATES

Trade Fairs and Exhibitions: UK

Current
London International Boat Show (0932 854511) (until January 15)
Earls Court

Current
International Toy Fair (01-326 6663) (until January 12)
Harrogate

January 12-15
Northern Travel Fair (061-891 5061)
G-Mex Centre, Manchester

January 15-18
International Lightshow Exhibition (0588-4668)
Olympia

January 17-19
International Contract Flooring Exhibition (021-705 6707)
Olympia

January 20-22
Daily Mail International Holiday Exhibition (0895-72277)
Alexandra Palace

January 24-26
Hirex Exhibition (01-660 8008)
Wembley Centre

January 28-February 1
British International Toy and Hobby Fair (01-701 7127)
Earls Court

January 29-February 2
International Food & Drink Exhibition – IFE (01-486 1951)
Olympia

February 5-7
Fashion Fabric and Sewing Fair (0422 51215)
Barbican

February 5-8
International Spring Fair (01-855 9201)
NEC, Birmingham

February 7-9
Textile & Technology Exhibition (01-385 1200)
G-Mex Centre, Manchester

February 9-12
Crufts Dog Show (01-493 7838)
Earls Court

Overseas Exhibitions

January 11-14
Toy Show (01-930 7955)
Hong Kong

January 15-19
International Food Fair of Scandinavia (Copenhagen 518811)
Copenhagen

January 20-23
Leather and Suede Fashion Exhibition – PIELESPANA (0494-729406)
Barcelona

January 23-26
Middle East Electronic Communications and Computer Graphics Shows and Conference (01-486 1951)
Bahrain

January 29-February 1
Irish Crafts Trade Fair (Dublin 884939)
Dublin

January 29-February 1
International Confectionery, Chocolate and Biscuit and Pastry Trade Exhibition (01-225 5566)
Paris

February 10-13
International Spring Trade Fair of Household Goods, Crystalware, Ceramics, Silverware & Gifts – MACEF (01-242 7289)
Milan

Business and management conferences

January 9-13
Management Training Consultants: Techniques of supervisory and management training for trainers (0533-527062)
Leicester

January 10-12
AD 2000 Management Services/Indevo: Business location strategy (01-977 3474)
The Barbican Centre

January 11
CBI Employee Relocation Council/Price Waterhouse: Moving experiences – the results of the Price Waterhouse survey of relocated organisations (01-379 7400)
Centre Point, London

January 12
IPM: Managing human resources (01-946 9100)
Chelsea Hotel, London

January 15-18
National Retail Merchants Association: annual convention and show (US 212-244 6780)
New York

January 17-18
Institute for International Research: Corporate identity and design management (01-434 1017)
CFS Conference Centre, London

January 19
Management Forum: Food and trading law developments (0483-570099)
Cafe Royal, London

January 19-20
The Royal Institute of International Affairs/The Middle East Institute: The Iranian revolution-10 years later (01-930 2233)
Chatham House, London

January 23-25
IRS Training: Complete employment law (01-354 5858)
Royal Automobile Club, London

January 24
IPM: Pressure at work (01-946 9100)
The Swallow International Hotel, London

January 30
IBC: Risk management planning and systems (01-236 4080)
City Conference Centre, London

February 2
Folley Conferences: Practical VAT annual conference (01-680 5882)
The London Press Centre

February 6-8
Frost and Sullivan: Taking full advantage of computer software packages (01-730 3438)
London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

TODAY

BOARD MEETINGS-
Interims:
Carclo Eng.
ML Hldgs.
Tomkins

DIVIDEND & INTEREST PAYMENTS-
Amersham Intl. 3.5p
Apricot Comp. 0.75p
Aquascutum Grp. 1p
Do. A 1p
Avis Europe 4p
British Assets Tst. 0.7p
Brown Shipley Hldgs. 4p
CDFC Tst. 1.1p
Clydesdale Inv. Tst. 2.25p
Coloroll Grp. 3.04p
Courtaulds 2.9p
Cradley Print 0.9p
Ensign Tst. 0.9p
External Inv. Tst. 10p
Friendly Hotels 1.1p
Glamar Grp. 2p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1992 £155.7
Inco $10
JSB Electrical 2.7p
Lloyds Eurofinance Gtd. £/$ Fltg. Rate Nts. 1990 $33.85
Mansfield Brewery 2.25p
National Bk. of Canada Fltg. Rate Nts. 1991 $213.59
Premark Intl. 15cts.
Scottish Metropolitan Property 3.1p
Unigate 5.3p
Union Square 0.4p
Warner Howard Grp. 1.3p
Witan Inv. 1.3p

TOMORROW

COMPANY MEETINGS-
Bibby (J.), Founders Court, Lothbury, E.C., 12.00
SAC Intl., Grand Hotel, Broad Street, Bristol, 12.00
Speyhawk, Merchant Taylor's Hall, 30, Threadneedle Street, E.C., 12.00

BOARD MEETINGS-
Finals:
Abbey Panels Invs.
Alexanders Hldgs.
Countryside Props.
Kunick
TVS Entertainment
Wheway
Interims:
Cantors
Colefax & Fowler
Fleming Overseas Inv.
Hiclare
Howden
Real Time Control
Stead & Simpson
Westpool Inv.
Wyko Grp.

DIVIDEND & INTEREST PAYMENTS-
Bridgend Grp. 0.25p
Britannia Bldg. Soc. Fltg. Rate Nts. 1993 £305.82
ICI 8½% Un. Ln. 1988/93 4¼pc.
Imperial Cold Storage & Supply 25cts.
Less (John J.) 0.75p
London County 6¾% 1988/90 3⅜pc.
M.M.T. Computing 1.1p
Majedie Invs. 4.5p
Nationwide Bldg. Soc. Fltg. Rate Nts. 1995 £152.02
Powerscreen Intl. 1.2p
Read Intl. 4p
Saker's Finance & Inv. 18cts.
Do. 5½% Cum. Prf. 5.5cts.
Sketchley 6.5p
Tiger Oats 280cts.
Treasury 11¼% 1991 5⅝pc.

WEDNESDAY JANUARY 11

COMPANY MEETINGS-
Church (Charles) Devs., Savoy Hotel, Strand, W.C., 12.00
Electra Inv. Tst., 65, Kingsway, W.C., 12.30
Euromoney Publications, New Carmelite House, Carmelite Street, E.C., 11.00
Hanson, Barbican Centre, Barbican, E.C., 11.00
McLeod Russel, Connaught Rooms, Great Queen Street, W.C., 12.00
Pegasus Grp., Great Western Royal Hotel, Praed Street, W., 2.30

BOARD MEETINGS-
Finals:
Assoc. Newspapers
Body Shop
Economic Forestry
Horne (Robert)
M. & G. Dual Tst.
Southern Business Grp.
TSB
Interims:
Banks (Sidney C.)
Bespak
Hambro Eurobond & Money Mkt. Fd.
Investment Co.
Markheath Sec.
Sock Shop
Zetters Grp.

DIVIDEND & INTEREST PAYMENTS-
Birmingham Mint Grp. 3p
Fobel Intl. 0.65p
Hongkong & Shanghai Banking Prim. Cap Und. FRN 3rd. Ser. $111.81
In Shops 0.5p
MB Grp. 3p
Marine Midland Gtd. Fltg. Rate Sub. Nts. 1994 $22.38
Nat West Bank Prim. Cap. FRN (Ser.A) $428.06
Petaling Tin Berhad 85sen
Ramar Textiles 1.75p
Sanderson Elect. 3p
Smiths Inds. 5.25p
3i 11¼% Un. Ln. 1990 5⅝pc.
Waddington (John) 3.4p

THURSDAY JANUARY 12

COMPANY MEETINGS-
Ashley Grp., Brown's Hotel, Dover Street, W., 12.00
BOC Grp., Royal Lancaster Hotel, Lancaster Terrace, W., 11.00
Bellway, Gosforth Park Hotel, Gosforth Park, Newcastle, 12.00
Burton Grp., Grosvenor House Hotel, Park Lane, W., 12.00
Carr's Milling Inds., Crest Hotel, Kingstown, Carlisle, 11.30
Royal Bank of Scotland, Caledonian Hotel, Edinburgh, 12.00
Talbex Grp., Park Court Hotel, 75, Lancaster Gate, W., 12.00

BOARD MEETINGS-
Finals:
Daily Mail & Gen. Tst.
Gardiner Grp.
Neotronics
Interims:
Astra Hldgs.
Debenham Tewson Chinnocks
Dixons
Douglas (Robert M.)
Hawthorn Leslie
Jones Stroud
Kingsgrange
Turnbull Scott Hldgs.

DIVIDEND & INTEREST PAYMENTS-
ADT 4.5cts.
AMI Healthcare Grp. 3.3p
Bibby (J.) 5.75p
Caisse Centrale De Cooperation Econ. 12¼% Gtd. Ln. 2013 6⅛pc.
Charter Cons (Reg) 4.75p
Do. (Br) 4.75p
Conversion 9½% Ln. 2001 4¾pc.
Conversion 9% Ln. 2011 4½pc.
Craig & Rose 2p
Early's of Witney 6% Cum. Prf. 2.1p
Great Portland Estates 3p
Highland Distilleries 2.058p
Hunter Saphir 1.35p
Illingworth, Morris 1.5p
Moran Hldgs. 2p
Sanders & Sidney 2.3p
Spandex 1.5p
Tame (John) Grp. 1.2p
Treasury 10% Cv. 1991 5pc.
Wardle Storeys 5.675p

FRIDAY JANUARY 13

COMPANY MEETINGS-
Cooper (Frederick), Goldthorn Hotel, Penn Road, Wolverhampton, 12.00

DIVIDEND & INTEREST PAYMENTS-
Barlow Rand 91cts.
Do. Pfd. 77.5cts.
British Airways 2.5p
Castings 1.75p
Cropper (James) 0.875p
Fenner (J.H.) 4.5p
First Iberian Fd. 15cts.
Foster (John) 1.75p
French Connection Grp. 1.75p
Heath (C.E.) 7.5p
Hille Ergonom 0.7p
Howard & Wyndham 18% Un. Ln. 1976/91 9pc.
Jarvis Porter Grp. 1.4p
Leeds Permanent Bldg. Soc. Fltg. Rate Nts. 1994 £152.61
Lep Grp. 1.45p
Lucas Inds. 10¾% Un. Ln. 1992/97 5⅜pc.
Marks & Spencer 1.7p
Mid-Sussex Water 4.9% Max. Addl. 2.45p
Morgan (J.P.) 41.5cts.
Do. ldr 41.5cts.
Motorola 19cts.
National Home Loans 3.75p
Parkland Textile 2p
Do. A N/Vtg. 2p
Rowlinson Sec. 0.24p
Royal Tst. Gvt. Sec. Fd. Ptg. Red. Prf. 2.25p
Sainsbury (J.) 1.5p
Schlumberger 30cts.
Select Appointments 1.2p
Star Computer Grp. 1.5p
TR Indl. & Gen. Tst.4¼% Deb. 2⅛pc.
UnLock Hldgs.1p
Woolwich Equitable Bldg. Soc. Fltg. Rate Nts. 1993 £305.82

SATURDAY JANUARY 14

DIVIDEND & INTEREST PAYMENTS-
Edinburgh Inv. Tst. 3½% Deb. 1998 1¾pc.
Funding 3½% 1999/2004 1¾pc.
Treasury 12½% Ln. 1993 6¼pc.
Treasury 13% 2000 6½pc.

SUNDAY JANUARY 15

DIVIDEND & INTEREST PAYMENTS-
Agricultural Mortgage Corp. 6¼% Deb. 1992/94 3⅛pc.
Do. 5½% Deb. 1993/95 2¾pc.
Am. Medical 9⅞% Un. Ln. 2011 4{15/16}pc
Assoc. Elect. Inds. 6¾% Deb. 1986/91 3⅜pc.
BCE 62cts.
Barclays Bank 12% Un. Cap. Ln. 2010 6pc.
Churchbury Estates 4.2% Cum. Prf. 2.1p
Eagle Tst. 0.18p
Govett Strategic Inv. Tst. 10⅛% Deb. 2016 5{1/16}pc.
Helical Bar 5.25% Cnv. Cum. Red. Prf. 2012 2.625p
Life Sciences Intl. 8% Cum. Cnv. Red. Prf. 4p
LASMO 9⅝% Cum. Red. Prf. 4.8125p
M. & G. Dividend Fd. 11.389p
Murray Intl. Tst. 3.9% Cum. Prf. 1.95p
Next 5¾% Cv. Bds. 2003 6¾pc.
North Surrey Water 4% Deb. 2pc.
Do. 4¼% Deb. 2⅛pc.
Do. 5¼% Deb. 2⅝pc.
Do. 7¼% Red. Deb. 1991/93 3⅝pc.
Pacific Gas & Elect. 35cts.
Quebec Central Railway cap. 2.5pc.
Sweden (Kingdom of) 11% Ln. 2012 5½pc.
Treasury 13% 1990 6½pc.
Treasury 9½% Ln. 1999 4¾pc.
Upton (E.) 10% Cv. Un. Ln. 1990 5pc.
Witan Inv. 3.4% Cum. Prf. 1.7p

PARLIAMENTARY

Tomorrow

Commons: Social Security Bill, second reading.

Motion on the Social Fund Cold Weather Payments Amendment Regulations.

Wednesday

Commons: Employment Bill, second reading.

Motions on Scottish Rate Support Grant and Revenue Support Grant Orders.

Select committees: Agriculture: subject, salmonella in eggs. Witnesses: Department of Health officials chief medical officer. Ministry of Agriculture, Fisheries and Food officials. (Room 16, 10.30 a.m.) The select committee will reconvene at 4 p.m. in Room 16 when witnesses will be the British Egg Industry Council, UK Egg Producers' Council, National Farmers Union and UKASTA.

Home Affairs: subject, higher police training and the Police College. Witness: Home Office. (Room 15, 4.15 p.m.)

Social Services: subject, resourcing the National Health Service. Witness: Department of Health. (Room 21, 4.15 p.m.)

Transport: subject, air traffic control safety. Witness: Mr Paul Channon, Transport Secretary. (Room 17, 4.30 p.m.)

Thursday

Commons: Debate on a motion to approve the Chancellor's Autumn Statement.

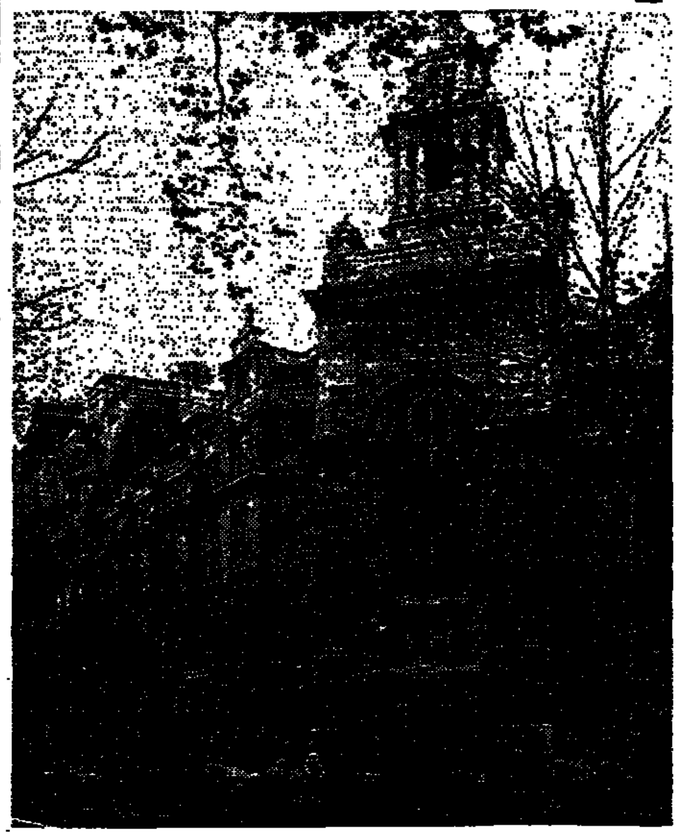
Select committee: Employment: subject, Legionnaires Disease in the working environment. Witness: British Aerospace. (Room 20, 4 p.m.)

Friday

Commons: Debate on AIDS.

CONSTRUCTION CONTRACTS

Millbank development



The renovation division of TAYLOR WOODROW CONSTRUCTION has been awarded a £25m contract for the 22,500 sq metre redevelopment of 4 Millbank, Westminster,(left) by Nisses Millbank, a subsidiary of the Swedish property development and investment group, Anders Nisses.

The project consists of the refurbishment and extension of the Edwardian building, formerly the office of the Crown Agents, which overlooks the River Thames and faces the Houses of Parliament.

The work includes the demolition of parts of the old building and the construction of additional areas both behind and above the facade to provide 120,000 sq ft of office space with an atrium as well as 14 flats, a restaurant, a health club and car parking.

Architects for the project, Omrania, have retained the grand staircase and tower in the occupier-oriented design.

Work on site is due to start shortly with completion scheduled for Autumn 1990. Structural and services engineers for the contract are also Omrania with quantity surveyor, Baker Wilkins and Smith. Sole agents for the property are Moss & Partners.

Expanding prison facilities

Prison extension contracts, valued at £4.3m, have been awarded to NORWEST HOLST CONSTRUCTION by the Home Office. The first, at Stocken prison in Leicestershire, is for the erection of a £1.3m house block with all associated drainage and external works. Construction of the reinforced concrete structure started at the beginning of November and is scheduled to last 52 weeks.

At Ford prison in West Sussex, the company is working on a £1.3m chaplaincy and education centre. Comprising a building of one and two-storey traditional construction arranged in two wings and linked by the chaplaincy centre, the development features an octagonal chapel with pitched timber roofs and a spire.

External paving and landscaping, drainage and ancillary services are also included in the contract.

Liverpool Street Station project

BALFOUR BEATTY CONSTRUCTION, a BICC company, has been awarded contracts in London and Essex. British Railways Board, Anglia region, has placed an order valued at £14m for the construction of an underground ticket hall at Liverpool Street Station. The work also includes an escalator shaft, train shed extension, new concourse roof and platform extensions. Work will begin in February for completion by July 1990.

Work has started on the construction of a ductile iron rising main for a large housing complex in Essex. The 1,500 metres long 450mm diameter pipeline forms part of the advanced works for the development. The contract, valued at £370,000, was awarded by Chafford Hundred and is due for completion by April.

Luton Crown Courts

SHEPHERD CONSTRUCTION's South Midlands office, based on Northampton, has secured the £6m contract to build Luton Crown Courts. The project is managed by the Property Services Agency on behalf of the Lord Chancellor's Department.

To be completed in March 1991, the four-storey complex in Castle Street, Luton, will provide six courtrooms, together with ancillary offices and accommodation including an underground car park and small courtyard.

The concrete framed structure will be clad in brick, with feature stonework. Pitched roofs will be steel-framed and slate covered. The project is to be managed by the Property Services Agency, based at Croydon, with a multi-disciplinary design team.

Scottish financial centre

SIR ROBERT McALPINE MANAGEMENT CONTRACTORS has been appointed by The Scottish Metropolitan Property for the £25m Scottish Financial Centre in Edinburgh.

Located in Castle Terrace on a 4,500 sq metre site immediately adjacent to the Usher Hall and Royal Lyceum Theatre, the development with a mix of financial, commercial and public facilities, will provide 30,000 sq metres of floor space over two basement levels, ground and five upper floors.

Work includes the excavation of over 5,000 cu metres of sandstone and the placing of bored piles foundations over 50 per cent of the site. Construction will be of reinforced concrete frame with coffer floors.

The complex will have two centrally positioned top-lit atria, one serving the public area and the other the business sector where a four-storey high fully glazed wall will provide views across the atrium, cafes, restaurants and bars.

In addition to the extensive conference and committee rooms and administration facilities for the financial sector, the building will house a variety of commercial and civic amenities including a museum, a self-contained conference unit for 70 - 100 people, a small theatre, financial library, restaurants and cafes, recording studio, shops, travel and ticket agencies.

★

Contracts worth more than £16m have been awarded to WATKINS GROUP. They include work on sheltered housing and new-build for Rochester upon Medway City Council (£3.3m); flats for the Royal Borough of Kensington and Chelsea (£2.9m); housing for St. Pancras Housing Association (£2.1m) and flats at Wynyard Estate, for the London Borough of Lambeth (£1.4m).

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
United Charities Unit Trusts (1000)H						
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544						
United Charities	5	171.5	172.6xd	184.1	4.93	41555
Vanguard Trust Mngrs Ltd (1200)F						
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex. Enquiries 01-236 3053. Dealing 0277 261010						
American & Gen	5	59.58	59.80	63.62	1.81	41562
(Accum Units)	5	61.58	61.81	65.75	1.81	41563
European Inc.	5	44.05	44.33	47.16	1.43	41572
(Accum Units)	5	44.61	44.89	47.76	1.43	41573
Far East & Gen	5	59.49	59.78	63.60	0.00	41558
(Accum Units)	5	59.49	59.78	63.60	0.00	41559
Glenfriars	5	217.2	220.4	234.5	1.99	41556
(Accum Units)	5	224.3	227.8	242.3	1.99	41557
Growth	5	225.9	215.9	229.7	3.10	41564
(Accum Units)	5	328.6	328.9	349.9	3.10	41565
High Yield	5	275.1	275.1	292.7	4.16	41566
(Accum Units)	5	301.9	301.9	321.2	4.16	41567
Master Portfolio	1½	6891	6891	7065	3.00	41560
(Accum Units)	1½	7215	7215	7400	3.00	41561
Special Sits	5	53.40	53.50xd	56.91	2.69	41568
(Accum Units)	5	56.26	56.20xd	59.85	2.69	41569
Trustee	5	159.5	159.5xd	169.7	4.03	41570
(Accum Units)	5	266.9	266.9xd	283.9	4.03	41571
Wardley Unit Tst Mngrs Ltd (0900)H						
99, Bishopsgate, London, EC2P 2LA 01-374 0861						
American ♦	5¼	55.70	55.70	59.57	1.8	41574
Intl Growth	5¼	67.18	67.18	71.86	0.4	41575
Income ♦	5¼	113.2	115.5	123.4	5.3	41576
Japan Growth	5¼	197.8	200.7	214.7	0.1	41577
Pacific Perf.	5¼	120.4	120.4	128.7	0.6	41578
Small Co's ♦	5¼	135.3	135.3	144.6	1.6	41579
Technology	5¼	29.05	29.05	31.06	0.1	41580
Australia	5¼	57.34	57.34xd	61.36	1.7	41581
UK Trust ♦	5¼	158.3	158.3xd	169.2	2.8	41582
European Growth ♦	5¼	51.99	51.99	55.61	0.1	41583
Hong Kong ♦	5¼	31.00	31.00	33.15	1.6	41584
Intl Income	5¼	19.04	19.04xd	20.36	9.0	41585
S'pore & Mlysn Gth	5¼	22.17	22.17	23.71	0.8	41586
British Winners ♦	5¼	24.28	24.28	25.96	2.8	41587
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	16.44	16.44	17.48	0.00	41588
Pacific Basin	5	23.58	23.58	25.08	0.60	41589
Can Balncd Gwth ‡	5	43.56	43.56	46.34	0.10	41590
Glaxle Mim ♦	4	0.9371	0.9417	0.9809	9.08	41591
Penny Share	5¼	26.00	26.00	27.65	0.50	41592
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	108.7	110.1xd	117.1	5.20	41595
Wellington Growth	5¼	174.1	174.1	186.8	1.36	41594

	Bid Price	Offer Price	Yield Gross	City-line
AEtna Life Insurance Co Ltd—Contd.				
1982 Series				
Managed	257.3	270.9	–	41684
Bnaed	131.4	138.4	–	41685
Pre 1982 Series				
Aetna Life				
3 Way	584.40	584.40	–	41686
Equity Pensions	930.00	930.00	–	41687
Aetna Pensions Ltd				
3-Way Managed	567.98	567.98	–	41688
Exempt Approved				
Mixed Managed	185.31	189.10	–	41689
Gilt Edged	13.26		–	41690
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	113.6	119.5	–	41691
Equity Fd Acc(z)	898.6	945.8	–	41692
European Fd Acc(z)	205.4	216.1	–	41693
Intl Fxd Int Fd Acc(z)	198.0	208.3	–	41698
Fixed Int Acc(z)	334.1	351.6	–	41694
Gtd Money Fd Acc(z)	227.0	238.9	–	41695
High Income Fd Acc(z)	103.6	109.0	–	41696
Intl Man Fd Acc(z)	361.7	380.7	–	41697
Japan Fd(z)	289.6	304.7	–	41699
UK Smllr Co's Fd Acc(z)	101.5	106.8	–	41704
Global Metro	95.7	100.69	–	46534
UK Metro	97.4	102.5	–	46537
Nth American Fd Acc(z)	161.1	169.5	–	41700
Pac Basin Fd Acc(z)	128.7	135.5	–	41701
Prop Fd Acc(z)	310.3	326.6	–	41702
Multiple Inv Acc(z)	624.0	656.8	–	41703
Pension Funds				
Brit Blue Chip Acc(z)	119.1	125.3	–	41705
Eq Pen Fd Acc(z)	1675.1	1763.2	–	41706
Euro Fd Acc(z)	254.8	268.2	–	41707
Fixed Int. Acc.(z)	673.4	708.8	–	41708
Gt Money Pn Acc(z)	400.6	421.7	–	41709
High Interest	134.0	141.0	–	46536
High Income Fd Acc(z)	106.7	112.3	–	41710
Intl Man Fd(z)	527.8	555.6	–	41711
Jap Pen Fd Acc(z)	407.4	428.8	–	41712
UK Smllr Co's Fd Acc(z)	103.4	108.8	–	41716
Global Metro	96.3	101.3	–	46535
UK Metro	98.9	104.0	–	46538
N Am Pn Fd Acc(z)	187.5	197.3	–	41713
Pac Basin Fd Acc(z)	142.6	150.0	–	41714
Property(z)	520.5	547.8	–	41715
Mtple Inv Pens Acc(z)	1211.5	1275.0	–	41717
Broker Funds				
Prof. Pen. Fd	85.4	89.8	–	41718
YRA Strategy	109.4	115.1	–	41719
Laughton Dollar (SE)	134.0	141.0	–	41720

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	Yield Gross	City-line
National Provident Institution				
48 Gracechurch St, London EC3P 3HH				01-623 4200
Managed	293.6	309.1	–	43163
UK Equity	362.9	382.1	–	43164
Overseas Eq.	274.0	288.5	–	43165
Americas	207.3	218.3	–	43166
Far East	340.8	358.8	–	43167
Property	199.0	209.5	–	43168
Fixed Int.	217.1	228.6	–	43169
Indexed Gilt	127.8	134.6	–	43170
Deposit	145.2	152.9	–	43171
Pension Fund (Accum Units)				
Managed	380.3	400.4	–	43173
UK Equity	424.6	447.0	–	43175
Overseas Eq.	436.0	459.0	–	43177
Americas	278.1	292.8	–	43179
Far East	577.0	607.4	–	43181
Property	237.0	249.5	–	43183
Fixed Int.	250.5	263.7	–	43185
Indexed Gilt	138.5	145.8	–	43187
Deposit	184.9	194.7	–	43189
NPI Pensions Management Ltd				
Managed Fund	892.1	908.0	–	43190

Prices January 3 Next dealing February 1

	Bid Price	Offer Price	Yield Gross	City-line
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 3JS				0603 683986
NUAM Funds				
Managed Fund	54.4	57.2	–	43191
Stock Market Mngd Fund	52.1	54.9	–	43192
Equity Fund	54.8	57.6	–	43193
International Fund	50.2	52.8	–	43194
European Fund	52.1	54.9	–	43195
North American Fund	44.7	47.1	–	43196
Pacific Fund	62.4	65.7	–	43197
Property Fund	70.0	73.7	–	43198
Fixed Interest Fund	51.8	54.5	–	43199
Index linked Sec Fund	53.1	55.9	–	43200
Deposit Fund	55.3	58.3	–	43201
NUAM Retirement Plans				
Mixed Fund	58.3	61.3	–	43202
UK Ordinary Share Fd.	63.5	66.8	–	43203
International Fund	52.3	55.0	–	43204
Property Fund	69.1	72.7	–	43205
Fixed Interest Fund	56.8	59.8	–	43206
Index Linked Sec Fund	54.5	57.4	–	43207
Deposit Fund	59.9	63.1	–	43208
NUAM GIF)				
Managed Fund	759.7	799.7	–	43209
Equity Fund	1482.1	1560.2	–	43210
Property Fund	440.8	464.0	–	43211
Fixed Interest Fund	386.5	406.9	–	43212
Deposit Fund	226.8	238.8	–	43213
International Fund	131.9	138.9	–	43214
Index Linked Sec Fund	53.8	56.7	–	43215

	Bid Price	Offer Price	Yield Gross	City-line
Norwich Union Life Insurance Soc.				
PO Box 149, Norwich NR1 3NG				0603 622200
Unitised Pensions				
With Profits Fd.	110.06	115.86	–	43216
Managed Fd.	117.68	123.87	–	43217
UK Equity Fd.	117.51	123.69	–	43218
International Fd.	124.11	130.65	–	43219
European Fd.	118.11	124.33	–	43220
North American Fd.	113.95	119.95	–	43221
Pacific Fd.	121.13	127.50	–	43222
Property Fd.	125.59	132.20	–	43223
Fixed Int. Fd.	100.69	105.99	–	43224
Intl Bond Fd.	103.87	109.34	–	43225
Bldg Soc Dep Fd.	104.71	110.23	–	43226
Pensioninvestor* & Unit-Linked Plus*				
Fixed Interest Fund	283.8	298.8	–	43227
Index-Linked Sec Fund	153.5	161.6	–	43228
Ordinary Share Fund	457.5	481.6	–	43229
International Fund	132.1	139.1	–	43230
Property Fund	213.2	224.4	–	43231
Deposit Fund	187.6	197.5	–	43232
Mixed Fund	321.3	338.2	–	43233
Norwich Units October 25		772.28	–	43234

*Prices as at January 4

	Bid Price	Offer Price	Yield Gross	City-line
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB				01-405 8441
Prop. Dist. (Gross)	179.4	188.9	–	43235
Prop. Acc. (Gross)	302.2	318.2	–	43236
Equity (Gross)	642.5	676.4	–	43237
Managed (Gross)	474.2	499.2	–	43238
Prop. Acc. (Net)	139.8	147.2	–	43239
Equity (Net)	153.3	161.3	–	43240
Managed (Net)	146.7	154.5	–	43241
Internat'nal (net)	132.6	139.6	–	43242
Gilt & Fxd Interest	101.3	106.7	–	43243
Money Fund	103.0	108.4	–	43244
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	451.3	475.1	–	43245
Ret Man (Series 2)	153.0	161.1	–	43246
Ret Man (Series 3)	100.9	100.9	–	46462
Ret Cash	128.9	135.7	–	43247
Ret Cash (Series 3)	105.9	105.9	–	46463

	Bid Price	Offer Price	Yield Gross	City-line
Providence Capital Life Assc. Co Ltd				
30 Uxbridge Rd, London W12 8PG				01-749 9111
UK Equity Acc.	181.7	191.7	–	43411
UK Fixed Int Acc.	141.7	149.5	–	43412
Intl Equities Acc.	134.9	142.3	–	43413
UK Managed Acc.	144.0	151.8	–	43414
Property Acc.	223.9	236.2	–	43415
Money Acc.	103.3	109.0	–	43416
Special Market Acc.	107.3	113.2	–	43417
Japan Equity Acc.	140.5	148.3	–	–
North American Acc.	88.0	92.9	–	43419
Pacific Acc.	76.0	80.2	–	43420
Technology Acc.	107.9	113.9	–	43421
Nat Resources Acc.	59.5	62.8	–	43422
European Acc.	81.5	86.0	–	43424
Residential Prop Acc.	116.3	122.7	–	43425
Swiss Equities Acc.	31.7	33.5	–	43426
Hong Kong Acc.	47.1	49.7	–	43427
UK High Inc Eq Acc.	59.2	62.5	–	43428
Int Fixed Interest Acc.	49.5	52.3	–	46406
Int. Managed Acc.	47.5	50.1	–	46407
HIP Managed Acc.	102.3	107.9	–	–
Total Investment Bond				
UK Equity Initial		126.8	–	43429
UK Fixed Int Initial		99.0	–	43430
Intl Equities Initial		93.5	–	43431
UK Managed Initial		100.7	–	43432
Property Initial		157.6	–	43433
Money Initial		72.6	–	43434
Special Market Initial		85.5	–	43435
Japan Equity Initial		112.0	–	–
North American Initial		70.2	–	43437
Pacific Initial		60.6	–	43438
Technology Initial		86.0	–	43439
Nat Resources Initial		47.4	–	43440
European Initial		75.0	–	43442
Residential Prop Init.		114.0	–	43443
Swiss Equities Initial		31.5	–	43444
Hong Kong Initial		46.2	–	43445
UK High Inc Eq Init.		58.1	–	43446
Int Fixed Interest Init.		49.2	–	46408
Int. Managed Init.		47.3	–	46409
HIP Managed Init.		102.0	–	–
Broker Fund				
Towerhill Mngd Fd Acc.	42.9	45.2	–	43447
High Performance	60.1	63.3	–	43448
YBA Executive Fd.	77.2	81.4	–	43449
Investment Master		33.8	–	43450
H.F. Speculator Fd.		113.8	–	43451
E High Inc Money Fd.		104.3	–	43452
£ Global Growth Fd.		107.1	–	43459
PEP Accum II.		100.7	–	46412
AAFS Int Man Fund		98.9	–	–
Individual Pension Funds				
UK Equity Acc.	193.6	204.3	–	43454
UK Fixed Interest Acc.	165.0	174.1	–	43455
Intl Equities Acc.	169.8	179.2	–	43456
UK Managed Acc.	149.5	157.7	–	43457
Property Acc.	190.4	200.9	–	43458
Money Acc.	117.3	123.8	–	43459
Special Market Acc.	145.0	153.0	–	43460
Japan Equity Acc.	230.3	243.0	–	–
North American Acc.	105.5	111.3	–	43462
Pacific Acc.	138.5	146.1	–	43463
Technology Acc.	141.1	148.9	–	43464
Natural Resources Acc.	91.5	96.6	–	43465
European Acc.	92.0	97.1	–	43467
Residential Prop Acc.	120.9	127.6	–	43468
Swiss Equities Acc.	31.4	33.2	–	43469
Hong Kong Acc.	46.1	48.7	–	43470
UK High Inc Equ Acc.	62.2	65.7	–	43471
Int Fixed Interest Acc.	50.0	52.8	–	46410
Int Managed Acc.	47.5	50.1	–	46411
Broker Fund				
Towerhill Mngt Pen Acc.	35.9	37.8	–	43472
Group Pension Funds				
Equity Acc.	598.1	616.7	–	43473
Fixed Interest Acc.	491.3	506.5	–	43474
Managed Acc.	103.8	105.8	–	43475

	Bid Price	Offer Price	Yield Gross	City-line
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ				0256 470707
Unit Fund	898.2	943.1	–	43476
Equity Fund	197.3	207.2	–	43477
International Fd.	135.4	142.2	–	43478
Fixed Interest Fd.	150.7	158.2	–	43479
Property Fund	209.6	220.1	–	43480
Index-Linked Fund	131.3	137.9	–	43481
Deposit Fund	132.4	139.0	–	43482
Pens. Mixed (Ord) Fd.	209.0	219.5	–	43483
Gold Pensions				
Discretionary Fund		101.4	–	–
Equity Fund		96.6	–	–
Fixed Interest Fund		104.0	–	–
International Fund		101.4	–	–
Property Fund		126.8	–	–
Index-Linked Fund		107.4	–	–
Deposit Fund		104.9	–	–
S & F Consolidation		102.1	–	–
S & F Balanced		99.4	–	–
S & F Maximum Growth		92.3	–	–

Provident Mutual Life Assc. Assn.

Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY AUTHORISED

JERSEY AUTHORISED

IoM AUTHORISED

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,250	Treas 11½pc 1989	99	12.66	18.7	22 Aug 22 Feb	1291
855	Treas 9¼pc Cnv 1989	99¼	12.61	12.9	18 Oct 18 Apr	1348
500	Treas 3pc 1989	97⅝	10.11	10.10	15 Nov 15 May	1327
1,400	Treas 10½pc 1989	99	12.52	7.11	14 Dec 14 Jun	1287
2,400	Exch. 10pc 1989	[illegible]	12.49	28.12	1 Feb 1 Aug	1250
2,000	Exch 11pc 1989	99	12.20	23.8	29 Mar 29 Sep	1256
601	Treas 5pc 1986-89	95¾	10.52	8.9	15 Apr 15 Oct	1329
535	Exch 10¼pc Cv '89	99¼	11.33	10.10	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	101	11.77	9.12	15 Jul 15 Jan	1300
1,400	Exch 11pc 1990‡‡	99	11.75	6.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	100	11.70	16.8	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	91	10.06	3.10	8 Nov 8 May	1325
600	Treas 8¼pc 1987-90‡‡	95¾	11.51	8.11	15 Dec 15 Jun	1340
1,000	Treas. 8pc Cv 1990 ‡‡	96	10.82	12.12	16 Jul 16 Jan	4600
1,887	Treas. 10pc Cv 1990	97	11.48	19.9	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	88½	9.59	17.10	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	100	11.40	5.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87-91‡‡	90	10.77	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	84½	9.61	7.10	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	98	10.92	6.12	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	99	11.10	19.9	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	92	11.18	3.11	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	104½	10.94	16.12	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	97½	10.97	15.7	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992 ‡‡	91	10.94	6.9	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98	10.91	3.10	7 Nov 7 May	1289
500	Treas. 3pc 1992	82	9.11	4.11	11 Dec 11 Jun	1328

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

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Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
143.1	♥UniTab	154p	—	—	—	—	—
3,016.7	Utd. Technologies	23	$1.60	3.8	15.11	Mr Je Sp Dc	4381
—	♥UtiliTech Inc	128p	—	—	—	—	—
6,411.9	US West	32	$3.52	6.1	13.4	Fb My Ag No	—
5,328.5	Waste Management $1	23⅝	48c	1.1	16.12	Ap Jly Oc Ja	4439
969.2	Whirlpool $1	14	$1.10	4.3	30.11	Mr Je Se Dc	—
2,151.8	Whitman Corp	19¾	96c	2.8	6.12	Ap Jy Oc Ja	2951
1,912.6	♥Woolworth $3½	29⅛	$1.64	3.1	19.11	Mr Je Se Dc	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
—	♥ABM Gold Corp	152p	—	—	—	—	—
—	♥Abbot Energy Corp	7p	—	—	—	—	—
532.8	♥Amer. Barrick Res	925p	—	—	—	—	—
—	♥Amer. Lightwave	3p	—	—	—	—	—
—	♥Armeno	14p	—	—	—	—	—
—	♥Augmitto Expln.	32½p	—	—	—	—	—
1,351.5	Bk. Montreal	13	$2.00	7.0	8.8	Fb My Ag Nv	—
1,086.4	Bk. Nova Scot.	655p	76c	5.3	28.9	Ja Ap Jn Oc	—
4,728.3	BCE	17½	$2.44	6.3	6.6	Ap Jy Oc Ja	—
246.8	♥Bow Valley	596p	40c	3.1	15.12	May Nov.	—
857.1	♥Brascan	12⅞	88c	3.2	28.10	Ja Ap Jy Oc	—
41.9	♥Breakwater Res	187p	10c	2.4	—	—	—
1,741.1	Can. Imp Bank	11⅛	$1.16	4.7	29.6	Fe My Au No	—
3,182.5	Can. Pacific	10½	76c	3.3	28.9	July Jan.	—
18.0	Do. 4pc Deb £100	38½	4%	10.4	24.11	July Jan	2051
—	Central Capital "A"	386p	—	—	—	—	—
—	♥Corona Corp	357p	—	—	—	—	—
38.9	♥Cons TVX Min.	240p	—	—	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

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ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

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OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Stock	Price	Div Net	Cvr	Yld Gr's	Last xd	Dividends Paid	City Line
[illegible]							
2.32 Rentaminster 5p ... γ	57	a1.0	2.3	–	–	–	5228
8.19 Royal Sovereign 10p. γ	185	†4.6	3.3	3.10		May Nov	1505
1.44 Scott Pickford 10p ... γ	20½	3.1	20.2	–		–	5062
6.60 Seacon Hldgs. .... γ	95	21.0	1.4	19.9		October	3968
1.00 Sonic Tape 2½p ..... γ	6	–	–	–		–	5152
4.70 Staks Hldgs. 5p ..... γ	17	–	–	–		–	4625
3.56 Swanyard Studios 1p γ	2½	–	–	–		–	4666
25.0 Takare .... γ	286	b1.0	0.5	–		–	4647
3.14 Tomorrows Leisure 20p γ	28	–	–	–		–	4248
12.2 Tullow Oil 10p ...... γ	19	–	–	–		–	4886
4.43 UPL Group 10p ..... γ	110	L2.41	2.9	28.11		June	4362
7.59 Unit Group .... γ	147	F7.5	6.8	28.11		Jan July	4357
9.56 Whitegate Leisure 20p. γ	13½	–	–	–		–	1105
0.70 Do. Wrrnts .... γ	10½	–	–	–		–	1116
6.81 Wilton Group 1p ... γ	5	–	–	–		–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ⊕⊕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p .... γ	67	......
Craig & Rose £1 .. γ	718	......
Finlay Pkg. 5p .... γ	85	......
Holt (Jos) 25p ..... γ	£12¼	+⅛

IRISH

Cap. 8½% Ln. 1991	£99⅝	......
9pc Cap Ln. 1996 ..	£180¼	–¼
Fin. 13% 97/02 ...	£124¼	......
Arnotts	385	+5
Carrol (P.J.) ..... γ	144	–1
Grafton Grp. ..... γ	143	......
Hall (R. & H.)	152	......
Helton Hldgs. .... γ	61	......
Irish Ropes	175	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling is too expensive to sell

By Colin Millham

STERLING TENDS to drift up gradually on the foreign exchanges, but more than any other major currency is likely to create shock waves when it falls.

The reason is a straight forward connection between currency values and interest rates. This may be fairly obvious to those who understand the market, but to outsiders, trying to grasp the principles of forward foreign exchange trading, it is often about as easy to fathom as higher nuclear physics.

Many people assume that forward exchange rates are a prediction of currency values *in three, six or 12 months time*, but they are not. They are simply a reflection of various interest rates in different countries.

A forward rate is the price at which a currency can be bought or sold against another currency at a fixed date in the future. No money changes hands until the maturity of the contract.

In fact a forward rate can be calculated mathematically simply by knowing the spot rate, which is the two days settlement value between two currencies, and the interest rate differential between the countries involved.

It is this differential between London and Frankfurt which according to Mr Nick Parsons, at Union Discount, makes the pound an unattractive proposition to sell at present, in spite of the fact that it looks "precariously overbought" against the D-Mark. The cost of running short positions in the pound is extremely expensive.

Taking the case of sterling against the D-Mark, the 12-month forward exchange rate can be calculated by adding the Frankfurt 12-month interest rate of 5.9 p.c. to 100, multiplying by the spot sterling D-Mark rate, and dividing by the London 12-month rate of 13 p.c. added to 100. This gives 105.9, multiplyed by DM3.2300, and divided by 113.00. The 12-month forward rate comes out at DM3.0270.

It is therefore much cheaper to buy pounds in the forward market than at spot, meaning that sterling is at a discount against the *D-Mark. By taking* the forward rate away from the spot rate it can be seen that sterling's discount is 20.30 pfennigs per annum. This is 1.6917 pfennigs per month, or a discount of 1 pfennig every 18 days. If therefore the market believes Mr Nigel Lawson, the Chancellor, when he indicates that sterling will be kept firm to reduce the upward pressure on inflation, then it makes sense to hold the pound, because there is a running profit in sterling of 1 pfennig every 18 days.

It can also be looked at in another way. The pound must fall by more than 1 pfennig every 18 days to cover the interest rate differential between London and Frankfurt. If sterling does not decline at this rate it is not profitable to sell the currency.

In simple terms the pound has become too expensive to sell, even through sentiment is generally bearish. Traders find it too expensive to run short positions in sterling against the D-Mark.

The main problem in this method of supporting a currency is that it leads to a build up of fundamental pressure, which is likely to produce a sudden downward plunge as the dam bursts.

When the pound begins to falter traders will jump on the bandwagon in order to insure that it falls fast enough to counter the interest rate differential.

Mr Parsons says falls of 8 or 9 pfennigs within days are quite common for sterling. In the long term he believes the trend is up and will remain intact at or above DM3.15, but sudden short term set backs are not out of the question.

£ IN NEW YORK

Jan.6	Close	Previous Close
£ Spot	1.7780-1.7790	1.7930-1.7940
1 month	0.58-0.56pm	0.58-0.56pm
3 months	1.63-1.61pm	1.63-1.61pm
12 months	4.98-4.91pm	4.98-4.91pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.6	Previous
8.30 am	97.6	97.9
9.00 am	97.6	97.8
10.00 am	97.6	97.8
11.00 am	97.6	97.8
Noon	97.5	97.8
1.00 pm	97.5	97.8
2.00 pm	97.5	97.7
3.00 pm	97.4	97.7
4.00 pm	97.4	97.6

CURRENCY RATES

Jan.6	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.743653	0.644441
U.S Dollar	6.50	1.34137	1.14936
Canadian $	11.20	1.59516	1.36900
Austrian Sch.	4	16.8946	14.6417
Belgian Franc	7.75	50.3349	43.6469
Danish Krone	7½	9.26015	8.03402
Deutsche Mark	3½	2.39971	2.08184
Neth.Guilder	4.5	2.70823	2.35021
French Franc	9½	8.19309	7.10649
Italian Lira	12½	1764.91	1525.20
Japanese Yen	2½	168.141	145.394
Norway Krone	8	8.81951	7.61853
Spanish Peseta	-	152.047	131.487
Swedish Krona	8½	N/A	7.11626
Swiss Franc	3.5	2.03687	1.77542
Greek Drach.	20½	199.978	172.576
Irish Punt	-	0.896997	0.777487

*All SDR rates are for Jan.5

CURRENCY MOVEMENTS

Jan.6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.4	-14.4
U.S Dollar	66.3	-12.9
Canadian Dollar	101.6	-1.1
Austrian Schilling	106.7	+9.8
Belgian Franc	106.0	-6.1
Danish Krone	104.2	-0.6
Deutsche Mark	113.1	+20.9
Swiss Franc	108.3	+17.9
Guilder	110.3	+13.3
French Franc	98.9	-15.7
Lira	97.8	-19.8
Yen	151.0	+84.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Jan.5.

OTHER CURRENCIES

Jan.6	£	$
Argentina	29.1010-29.2600	16.3600-16.4500
Australia	2.0645-2.0670	1.1610-1.1620
Brazil	1418.75-1426.65	797.60-801.55
Finland	7.5030-7.5065	4.2170-4.2190
Greece	266.20-270.70	148.10-150.50
Hong Kong	13.8835-13.9010	7.8075-7.8095
Iran	124.20*	67.90*
Korea(Sth)	1222.85-1232.70	681.00-686.60
Kuwait	0.50240-0.50370	0.28255-0.28275
Luxembourg	67.60-67.70	37.95-38.05
Malaysia	4.8330-4.8460	2.7180-2.7200
Mexico	4064.75-4068.45	2284.00-2285.00
N. Zealand	2.7975-2.8050	1.5735-1.5775
Saudi Ar.	6.6650-6.6770	3.7490-3.7500
Singapore	3.4485-3.4585	1.9390-1.9410
S. Af (Cm)	4.2365-4.2525	2.3810-2.3860
S. Af (Fn)	6.9095-7.0465	3.8835-3.9605
Taiwan	50.40-50.65	28.10-28.20
U.A.E.	6.5290-6.5430	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Jan.6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13-12¾	13-12⅞	13⅛-12⅞	13¼-13⅛	13⅜-13⅛	13⅛-12⅞
US Dollar	9-8⅞	9¼-9	9¼-9⅛	9⅜-9⅛	9⅝-9½	9⅝-9⅛
Can. Dollar	10¼-9⅞	10¼-10	10⅝-10⅛	11⅛-10⅞	11⅜-11¼	11⅞-11¼
D. Guilder	5¼-5½	5¾-5½	5⅝-5⅜	5⅝-5¼	6-5⅞	6⅛-6
Sw. Franc	5⅛-4⅞	5¼-4⅞	5⅛-5⅛	5⅝-5¼	5⅝-5⅜	5⅝-5⅜
Deutschmark	5⅝-5¼	5⅝-5⅛	5⅛-5⅝	5⅜-5⅜	5⅜-5⅜	5⅞-5⅞
Fr. Franc	8⅛-8¼	8⅞-8⅞	8⅝-8⅝	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞
Italian Lire	11-9	11-9⅝	11¼-10⅜	11⅞-11⅛	12⅛-11⅞	12⅛-12
B. Fr. (Fin)	7⅛-7⅛	7⅞-7⅞	7⅞-7⅞	7⅝-7½	7⅝-7⅝	7⅞-7⅞
B. Fr. (Con.)	7⅛-7⅞	7⅛-7⅛	7⅝-7⅛	7⅝-7⅜	7⅞-7½	8-7⅝
Yen	4⅛-3⅞	4⅛-4⅛	4⅜-4⅛	4⅛-4⅛	4⅝-4⅛	4⅛-4⅜
D. Krone	7⅞-7⅛	7⅞-7⅛	8-7⅞	8-7⅞	8⅛-7⅞	8⅛-8
Asian $Sing	9-8⅞	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅝-9½	9⅞-9⅛

Long term Eurodollars: two years 10⅛-9⅞ per cent; three years 10⅛-9⅞ per cent; four years 10⅛-9⅞ per cent; five years 10⅛-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND SPOT - FORWARD AGAINST THE POUND

Jan.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

MONEY MARKETS

Distortions continue to keep US rates high

THE RISK of higher US rates may have faded, but on the other hand a rise in the Federal Reserve's discount rate has been awaited for some time, and is already built into the present value of the dollar.

On Friday the dollar rose to its highest level against the D-Mark since mid-October, prompting intervention by the Fed and the West German Bundesbank.

A rise in US rates would only add to the upward pressure on the dollar, at a time when economic news does not point to any strong need for a tightening of the Fed's monetary stance.

US unemployment fell 0.1 p.c. to 5.3 p.c. in December, but the rise in non-farm payrolls was revised down in November to 404,000 from 463,000, and the December rise was 279,000. This was slightly above the expected figure of 260,000, but below the 300,000 level where the Fed may have seen higher rates as necessary to stem economic growth.

Latest figures suggest the Fed has not tightened its monetary policy recently, and is probably looking for a Federal funds rate of no higher than 8⅞ p.c.

The rise to 9⅝ p.c. in Fed funds at the end of the year reflected high Treasury balances at Federal Reserve banks and distortions in the market, rather than any move by the authorities.

The distortions continued last week, with an average Fed funds rate of 9.22 p.c. for the week ending on Wednesday. This was the highest level for three years. On Friday the Fed's injection of $1.5bn, when fed funds were trading at 9 p.c., was broadly in line with expectations.

UK clearing bank base lending rate 13 per cent from November 25

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

[illegible]			

Jan.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]					
Paris	[illegible]					
Zurich	[illegible]					
Amsterdam	[illegible]					
Tokyo	[illegible]					
Milan	[illegible]					
Brussels	[illegible]					
Dublin	[illegible]					

LONDON MONEY RATES

Jan.6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]						

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.6)	3 months US dollars		6 months US Dollars	
	bid 9⅝	offer 9⅞	bid 9⅝	offer 9⅞

BANK OF ENGLAND TREASURY BILL TENDER

	Jan.6	Dec.30		Jan.6	Dec.30
[illegible]					

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan.6	change		Jan.6	change
[illegible]					

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JANUARY 6 1989 US Dollar Index	% Change Since Dec.30 88	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY JANUARY 5 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	144.77	+0.2	120.58	111.84	4.80	145.83	120.25	111.49	152.31	91.16	100.81
Austria (18)	95.22	-0.7	79.31	89.58	2.75	96.11	79.25	89.58	100.00	83.72	94.54
Belgium (63)	132.05	-2.3	109.98	124.39	4.06	132.55	109.29	123.39	139.89	99.14	104.87
Canada (126)	127.51	+1.6	106.20	110.29	3.31	127.32	104.98	109.66	128.91	107.06	114.63
Denmark (39)	158.95	+1.5	132.39	151.39	2.00	161.60	133.25	152.21	161.60	111.42	114.24
Finland (26)	127.34	-2.7	106.06	112.72	1.55	127.65	105.26	111.93	139.83	106.78	110.45
France (131)	117.51	+2.1	97.87	114.05	2.83	117.32	96.74	112.81	117.51	72.77	84.83
West Germany (102)	88.33	+0.4	73.57	83.30	2.26	89.80	74.05	83.78	90.40	67.78	75.17
Hong Kong (46)	115.49	+3.3	96.20	115.78	4.26	115.04	94.85	115.32	115.49	84.90	94.30
Ireland (18)	127.61	-3.2	106.28	121.86	4.13	128.77	106.18	121.65	144.25	104.60	110.23
Italy (98)	84.94	-0.2	70.75	84.37	2.40	85.85	70.79	84.37	86.88	62.99	76.86
Japan (456)	189.75	-0.9	158.05	151.91	0.49	191.36	157.79	151.93	193.67	133.61	140.38
Malaysia (36)	144.49	+0.7	120.35	151.31	2.82	143.87	118.63	150.05	154.17	107.83	119.06
Mexico (13)	159.84	-1.2	133.13	399.23	1.28	159.10	131.19	397.66	182.24	90.07	95.61
Netherland (38)	112.29	-0.1	93.53	104.93	4.70	113.20	93.34	104.49	113.49	95.23	101.43
New Zealand (25)	68.46	+1.3	57.02	57.28	6.83	68.61	56.57	57.03	84.05	63.32	76.28
Norway (26)	146.95	+5.8	122.40	132.34	2.06	146.86	121.09	131.51	146.95	98.55	114.02
Singapore (26)	126.31	+1.0	105.21	112.92	2.36	125.47	103.46	112.14	135.89	97.99	104.47
South Africa (60)	116.95	+0.1	97.41	100.26	4.61	117.40	96.80	99.66	139.07	98.26	137.52
Spain (42)	144.96	-2.3	120.74	126.07	3.24	146.68	120.95	126.07	164.47	130.73	135.31
Sweden (35)	142.55	-1.4	118.74	131.32	2.18	143.59	118.40	131.32	144.97	96.92	100.30
Switzerland (57)	78.16	+0.1	65.10	74.99	2.26	79.07	65.19	75.00	86.75	74.13	83.16
United Kingdom (317)	134.52	-0.6	112.05	112.05	4.82	135.01	111.32	111.32	141.51	120.66	132.26
USA (572)	114.29	+1.0	95.19	114.29	3.64	113.99	93.99	113.99	115.55	99.19	99.48
Europe (1010)	114.42	-0.2	95.30	102.23	3.68	115.19	94.98	101.85	116.61	97.01	103.99
Nordic (126)	139.71	+0.1	116.37	125.35	2.04	141.02	116.28	125.42	-	-	-
Pacific Basin (679)	184.84	-0.8	153.96	148.64	0.71	186.35	153.65	148.63	188.43	130.81	137.03
Euro-Pacific (1689)	156.65	-0.6	130.48	130.24	1.60	157.86	130.17	130.08	159.28	120.36	123.86
North America (698)	115.00	+1.0	95.78	114.07	3.62	114.70	94.58	113.74	116.07	99.78	100.28
Europe Ex. UK (693)	101.59	+0.2	84.61	96.41	2.82	102.52	84.53	96.26	102.91	80.27	86.45
Pacific Ex. Japan (223)	126.11	+1.2	105.04	107.43	4.55	126.42	104.25	107.03	128.27	87.51	96.63
World Ex. US (1888)	155.25	-0.5	129.31	129.40	1.67	156.40	128.96	129.23	157.66	120.26	123.67
World Ex. UK (2143)	140.00	+0.0	116.60	125.57	2.02	140.62	115.95	125.41	140.91	111.77	112.55
World Ex. So. Af. (2400)	139.63	-0.1	116.30	124.43	2.25	140.25	115.64	124.22	140.53	113.26	114.15
World Ex. Japan (2004)	115.31	+0.6	96.04	109.73	3.69	115.44	95.19	109.37	115.54	100.00	101.82
The World Index (2460)	139.49	-0.1	116.18	124.27	2.26	140.11	115.53	124.05	140.39	113.37	114.30

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Markets closed January 6: Austria, Italy, Spain and Sweden.
CONSTITUENT CHANGES: Deletions: Bejam (UK); First Boston Inc. and Irving Bank Corp (both US)

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 89 Vol	Last	May 89 Vol	Last	Aug. 89 Vol	Last	Stock
GOLD C	$400	6	14	370	26	-	-	$405
GOLD C	$460	-	-	90	3.20	-	-	$405
GOLD P	$400	62	3.60	3	7	-	-	$405
GOLD P	$420	51	14	15	15	-	-	$405
[illegible]								

TOTAL VOLUME IN CONTRACTS : 53,383
A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	Low	Stock	Closing Price p	+ or -
[illegible]							

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB-Allied Arab Bk	13	Comm. Bk. N. East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
[illegible]					

JOTTER PAD

CROSSWORD

No.6,829 Set by TANTALUS

ACROSS

1 and 5 Does he trim cloth near a ruin? (8,6)
9 Something in the sky creates dreamy *feeling* (4,4)
10 Hides last pin I dropped nervously (6)
11 Being more than ready to eat? (8)
12 Agree to a small volume going to city in Holland (6)
14 Guarantee imprisonment (10)
18 Re-presented to prince if competent (10)
22 Fine cream mixed by sweetheart (6)
23 Strangely, sadist upset about misfortune (8)
24 Make beloved in Ostend early on (6)
25 Gilbert and Sullivan work shows calm endurance (8)
26 Artist in *time* to read angry speech (6)
27 English chaps under canvas find apartments (8)

DOWN

1 Graduates study lunar regions (6)
2 Novelist on river meets senior lecturer (6)
3 Ivy sees ambassador before a communist turns up (6)
4 Replaced spoon on cooker — I get a dread of disease (10)
6 A portion so to speak (8)
7 Boy allowed to have marine animal (8)
8 What may be *paid* without money? (8)
13 Captain and me at sea oriental set free (10)
15 It's obvious a quiet pair are not disheartened (8)
16 One on horseback moved quickly to another road (8)
17 Clip put back on solid seafish (8)
19 The Italian enters new cafe with relaxed manner (6)
20 Good man going to a church with intellectual attitude (6)
21 A run with others may result in 14 (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 21.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

CANADA

TORONTO

Closing prices January 6

MONTREAL

Closing prices January 6

INDICES

NEW YORK — DOW JONES

CANADA

SWITZERLAND Swiss Bank Ind. (31/12/58) ...	618.4	618.1	613.4	613.1	618.4 (6/1/89)	466.6 (13/1/88)
WORLD M.S. Capital Intl. (1/1/70)...	(u)	496.5	497.1	497.2	497.2 (3/1/89)	401.0 (21/1/88)

**Saturday Dec. 31: Japan Nikkei (c) TSE (c) § Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	5,080,300	93½	+ 2	Gap Del Inc	1,526,900	39	– 3⅝
Burlington	1,935,700	36⅝	+ 1⅛	Phillips Pet	1,469,600	20⅝	+ ⅛
Savin Bus	1,908,300	⅞	+ ⅛	Am T & T	1,358,300	28⅞	+ ⅜
Maytag	1,874,500	20⅝	+ ⅞	Burlington Nrthn	1,346,300	23⅞	+ ½
Gen Electric	1,654,500	44⅝	....	USX Corp	1,304,100	31	+ ⅞

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 6 January 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy Ind	48.8m	1,070	+60	Fujita	21.7m	972	+22
Japan Line	34.1m	283	-1	Kawasaki Steel	21.2m	949	+29
Cosmo Oil	32.4m	1,190	+180	Tokyo Keiki	17.5m	1,490	+200
Ishikawajima-Harima Hvy Ind	27.9m	1,180	+70	Nippon Oil	16.5m	1,550	+40
Osaka Gas	24.8m	855	+28	NKK	16.2m	923	+6

AMEX COMPOSITE PRICES

4pm prices January 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng.
AT&E			104	8⅜	8⅛	8¼	
ATT Fd2.21e			106	40⅝	40⅜	40½	+ ⅛
Acton		9	20	11⅛	d11½	11⅝	

4pm prices January 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	18⅝	AAR	.44	1.8	17	215	25	24½	24⅞	+ ⅛
10⅛	8⅞	ACM n	1.01	11.		225	9⅝	9½	9½	– ⅛
12⅛	10¼	ACMIn	1.28a	12.		z416	10⅞	10⅞	10⅞	– ⅛
10⅛	8½	ACM M	n.17e	1.9		x240	9⅛	9	9⅛	– ⅛
12⅛	10¼	ACMSc	n1.28	12.		610	10⅜	10¼	10⅜	+ ¼
10⅛	8½	ACMSp	n1.01a	11.		458	9⅛	9	9⅛	+ ⅛
[illegible]										

Continued on Page 35

NYSE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
16	3½	vjPNH pfE				10	13½	13½	13½	− ⅛
15⅛	3½	vjPNH pfF				24	12½	12⅛	12⅛	
15⅛	3⅛	vjPNH pfG				10	12⅝	12⅜	12⅜	− ⅜
22⅜	11	PSvNM	1.62	12.		1984	13	12⅞	12⅞	− ⅛
26⅞	22	PSEG	2.04	8.4	10	3448	24⅝	24⅛	24⅛	− ⅛
83	73⅛	PSEG pf7.52		9.9		z9680	76½	75⅝	75⅝	+ ⅝
3⅛	1⅝	Publck				143	2⅝	2⅝	2⅝	
60⅛	29⅛	PR Cem	.66a	1.3	7	.61	60⅛	49⅛	50	
20⅛	18	PugetP	1.76	9.3	9	342	19	18⅝	18⅞	
9	7½	PHiCB	.96	11.		39	8	7⅞	8	+ ⅛
10½	8⅝	PIGIT	n1.01	11.		1040	9⅛	9⅛	9⅛	
10⅛	8⅝	PMIIT	n1.08a	11.		392	9⅛	9	9⅛	
10⅛	8⅞	PMIT	1.10a	12.		1000	9⅛	9	9⅛	+ ⅛
10⅛	8⅞	PPrIT	n1.14	12.		2365	9⅛	9	9⅛	+ ⅛
8⅝	3⅞	Pyro				370	6⅞	6⅝	6⅞	+ ⅛
14⅞	6	QMS				492	8⅞	8	8⅛	+ ⅛
1⅝	½	Qantel			2	95	11-16	⅝	11-16	+ 1-16
61½	38½	QuakrO	1.20	2.2	18	1902	55⅛	54⅛	54⅛	− ½
27⅞	15½	QuakSC	.80	4.5	37	2269	18⅛	17⅞	17⅞	+ ½
15⅞	5⅞	Quanex	.06e	.6	8	399	14⅛	14	14⅛	+ ⅛
108⅛	65½	Quantm	.3a	2.9	8	6324	105	103⅛	104⅛	+ 1½
57⅞	52⅛	Qantm wi				4295	55⅛	52½	54⅞	+ 1⅞
10⅛	8⅛	QstVI	1	9.4		127	10⅝	10½	10⅝	
8⅞	6	QstVC	.09			858	8⅞	8⅛	8⅛	+ ⅛
35⅞	29⅞	Questar	1.85	5.8	41	41	32½	32½	32½	− ⅛
14½	10½	QkReily	.24	2.1	8	119	11½	11⅛	11⅛	
−R−R−R−										
12	12	RAC In n				216	12	12	12	
12⅞	4⅞	RBInd				43	11⅞	11⅝	11⅞	+ ⅛
94½	44	RJR Nb	2.20	2.4	17	60611	93⅛	92	93½	+ 1⅞
119½	100½	RJR pf11.50		11.		2	105⅛	105⅛	105⅛	+ ⅛
11⅞	6½	RLC	.20	1.7	8	209	11⅞	11⅝	11⅞	+ ⅛

12 Month High	12 Month Low	Stock	Div.
22⅞	16⅝	SwEnr	.58
28⅛	23⅞	SwtPS	2.20
38⅝	30⅛	Sovran	1.62
12⅛	9	Spain n	.18e
13⅝	8⅝	Sparton	.52
14⅞	7⅞	Sprague	.05e
38⅛	27	Springs	1
56⅛	45⅛	SquarD	2
70⅞	55½	Squibb	1.80
16⅞	10⅞	StdPnt	
22⅛	13	StdCm s	.48
9⅛	5⅞	StFdSk	.40
16	11½	StMotr	.32
12⅞	8⅝	StdPac	1.20e
31⅞	21⅞	StdPrd	.80
24	14⅛	Standex	.80
21⅛	13⅞	Stanhm	s.68
37⅞	23⅞	StanWk	.96
26⅞	18⅞	Starret	s .64
11⅞	10⅛	StaMSe	1.12a
6	3⅛	Stego	
12⅛	8⅛	StriBcp	.80
17⅞	14⅛	StrlCa	n.25e
12⅞	10½	StkVC pr	1
10	5⅞	Stifel	
73⅛	58⅛	StoneW	2.40
38½	20⅞	StoneC	s .26
8⅛	5	StonRs	
13⅛	10⅝	StorEq	1.40
2⅞	1⅝	StorTch	
18⅞	11	StratMt	1.84e
35⅞	15⅛	StrideR	.60

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
63	50⅛	Xerox	3	5.1	10	3680	59⅛	58⅛	59	+ ⅛
38⅝	21½	XTRA	.72	2.0	14	270	36⅛	35⅞	36⅛	+ ⅛
28⅞	22	XTRA pf1.94		7.0		60	27⅛	27⅛	27⅛	− ½
3⅞	2	Zapata				173	2⅛	2⅛	2⅛	
27⅛	14⅛	Zayre	.40	1.6	168	1696	25⅛	25	25⅛	
15½	9⅛	Zemex	.40	3.1	16	19	13⅛	12⅞	12⅞	− ⅜
30	13½	ZenithE				1265	19⅛	18⅛	18⅝	− ⅛
10⅛	9	Zenin n	.59e	6.5		386	9⅛	d 8⅞	9⅛	− ⅛
3⅞	1	vjZenLb				126	1⅛	1⅝	1⅝	
21⅝	13⅝	ZenNtl	.80b	4.7	8	402	17⅞	17	17⅛	− ⅜
19½	13	Zero	.44	2.4	15	247	18½	17⅞	18	− ½
29	18⅞	Zurnin	.68	2.5	16	68	27½	27⅛	27⅛	+ ⅛
11⅛	8⅞	Zweig	1.04	10.		443	10⅝	10⅛	10⅛	
10⅛	9	ZweigT	n.16e	1.7		564	9⅛	9⅛	9⅛	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 4pm prices January 5

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
A&W Bd		31	84	19	18⅞	19	
ADC		10	70	12⅞	12⅞	12⅞	
ASK		19	2529	16⅛	15⅞	16	− ⅛
AST		6	5363	8⅛	7½	7⅛	− ⅛
Acadin		24	1076	1 11-16	1 9-16	1 11-16	+ ⅛
AcmeSt	.05e	9	6	23½	23⅛	23½	+ ⅛
ActARt s		28	121	17⅞	16½	16⅝	− ½
Actmed		800	538	8⅛	7⅞	8	
Acxiom		13	22	12½	12⅛	12½	+ ½
Adacl.b		16	3034	4 13-16	4 11-16	4⅞	
Adapt		25	1915	5⅞	5⅛	5½	+ ⅛
Adingtn		10	2034	24⅛	23⅛	24⅞	+ 1⅛

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
DebShp	.20	18	992	11⅛	10⅝	11	+ ⅛
DeklbE	.051		112	20⅛	19⅞	20	− ⅛
Delchm	.36	15	270	22⅛	21½	22	+ 1
DellCpt		11	5670	10	8⅞	9½	− 1
DepGty	1.52	8	34	32⅛	32	32⅛	
Diagnst		27	474	5	4⅛	4 13-16	− 3-16
Dibrel s	.68	10	395	17½	17	17⅛	+ ⅛
Dicson		7	408	12⅛	11⅞	11⅞	− ⅛
DigMic		33	929	24⅛	23⅛	24⅛	+ ⅛
Digtch			608	1 1-16	1	1	− 1-16
DimeFn	.80	10	28	13	12⅝	12⅝	− ⅛
Dionex		20	146	26⅛	25⅛	26⅛	

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
KndrLr			375	5⅞	5⅛	5⅛	− ½
Kinetic		19	69	8⅞	8⅛	8⅛	
Kmsche		30	39	19⅛	18⅛	19	− ⅛
Komag		13	4028	9⅞	8⅞	9⅛	+ ⅛
Kruger	.22	12	1459	6½	5⅛	5⅞	
Kulcke		15	19	8⅞	8½	8⅛	+ ⅛
− L − L −							
LA Gr s		8	2126	22⅛	22⅛	22⅛	+ ⅛
LSI Lg		18	1150	10⅛	10⅛	10⅛	− ⅛
LTX		14	1808	9⅛	8½	8⅞	+ ⅛
LVMH	.79e	31	75	u154	128	130	− 12⅛
LaPete		15	1008	9	8⅛	9	+ ⅛

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
RhonPl	.08e		75	42⅛	41⅞	41⅞	− ⅛
Ribilm			1080	5⅛	4⅛	4⅞	
RichEl	.08e	17	38	18⅞	18	18	− ⅝
Richid	.10e	14	899	8⅛	7⅞	8⅛	+ ⅛
RigsNt	1.10	15	21	23½	23	23⅛	+ ⅛
RoadSv	1.10	18	117	30⅞	30½	30½	
RbtNf s		19	54	18½	18	18	− ⅛
RochCS	.44	13	1616	16⅛	16½	16⅛	
RevitFn	.80	5	13	12	12	12	+ ⅛
RoseG	.16a	14	48	7⅞	7½	7⅞	+ ⅛
Rospch		14	63	20⅛	19½	19½	− ⅛
RossStr		14	2825	10⅛	10½	10½	− ⅛

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wolohn	.28	10	60	19⅞	19⅞	19⅞	
WolvEx			196	7½	7	7⅛	+ ⅛
Worthg	.44	15	382	23⅛	23	23	− ⅛
Wyman	.80	15	225	15½	14⅞	15½	+ ½
−X−Y−Z−							
XL Dta		18	744	27½	26⅞	27½	+ ½
XOMA			1320	13⅛	12⅛	13	
X-Rite s	.08	14	36	9	8½	8⅞	− ⅛
Xicor		12	3067	7⅝	7⅞	7½	
Xyvan			185	4⅞	4½	4⅞	+ ⅜
YelowF	.70	20	357	32⅝	31½	32⅛	− ⅛
ZionUt	1.44		26	22	21½	22	+ ½

The Business Column

Making money in Euro-insurance

You might think the key to the future of European insurance lies in a flurry of mergers and acquisitions ahead of the liberalisation symbolised by 1992. You would nearly, but not quite, be right.

That may sound odd. Italy's Generali has been building its stake in Compagnie du Midi, most world-class insurers are taking positions in Spain, and in France the talk is all of mega-mergers between insurance companies and banks.

The trouble is that the question of who buys which insurance company this week is much less important than the way the business itself is changing. The real opportunities for insurers and insurance brokers may not have very much to do with traditional insurance at all. And spending heavily to acquire companies whose distribution systems are dominated by the old staple products of motor and fire insurance and traditional life assurance could prove a costly blunder if post-1992 competition squeezes their profit margins out of existence.

The drawbacks of standard property and liability insurance lie in its economics: primarily a commodity, sold on price, it exposes insurers to periodic price wars.

Motor insurance still accounts for the largest slice of Europe's property/liability insurance market (as much as 57 per cent in Italy). Yet while the proportion of drivers having accidents in many European countries has dropped substantially since the mid-1960s, losses from motor insurance remain a severe and nagging problem. In France a fierce battle for business, led by mutual companies, has held premium rate increases there well below inflation in the average claims size. This can hardly get better for insurers if 1992 brings a further upsurge in competition.

On the face of it, life assurance is very different. For decades in the UK it has been a haven of stability, with earnings following a smooth upward trajectory. But will this always be true? *In the UK*, the competitive problem for life insurers is the increasing need for big spending on distribution networks or the high commissions necessary to keep intermediaries happy.

In fact, three profitable areas of opportunity in Europe stand out. But all three are relatively new, and still far from the core business of the average European insurer.

Customer relationship

In each case the insurer benefits because what it is supplying is a *long-term relationship* with the customer, rather than a commodity. But, in each case, though mergers and acquisitions may help create a foothold in the market, they can backfire by burdening the acquiring company with a distribution system created decades before to fit older, obsolete products.

First is the future market for private pension provision, created by the ageing of populations. The structural deficit in the funding of social security systems in France and Italy in particular are well known. It seems a fair bet that in the 1990s more governments will try to open up a free market in occupational and personal pension schemes broadly along the lines of what was intended in the UK's 1986 Social Security Act.

If so, the resulting legislation should expand a second wide area of opportunity, already exploited in America, in designing or managing pensions and other employee benefits. The top 10 benefits consulting firms in the US have 22,000 staff between them.

The third opportunity lies in property and liability risk management for corporate insurance buyers. Instead of trying to solve all the customers' needs with conventional insurance, the insurer or broker supplies technical assistance in controlling losses and reducing risks.

These opportunities may sound less exciting than the creation of pan-European insurance empires by large-scale merger and acquisition. But if the economics of insurance behave true to form they may make more sense.

Nick Bunker

THE MONDAY INTERVIEW

Warming to the task

Alan Friedman talks to Vittorio Cassoni, chief executive of Olivetti

Vittorio Cassoni is something of a chameleon. The 46-year-old chief executive of Olivetti, who was called back to Italy last May after an 18-month stint running AT&T's computer division in New Jersey, looks like a well-tailored Italian businessman. But when he opens his mouth he sounds like a fast-talking player of hard-ball in the American corporate world.

"He is a transatlantic man," says one of his aides at Olivetti. "Vittorio is one hell of a person who has hit this industry at the right time," booms Robert Kavner, his successor as head of AT&T's Data Systems Group in the US.

Indeed, in talking about Cassoni with Olivetti watchers in the stockmarket and world computer industry, two themes are clear. First, it is exceedingly hard to find anyone who does not have a kind word for the man. Second, everyone agrees that Cassoni has a monumental job on his hands in steering Olivetti through a tough strategic change.

Olivetti's success owes much to the group's transformation since 1978 from a loss-making typewriter producer into a *manufacturer of electronic* office products and personal computers. Now Cassoni must take Olivetti through a new quantum leap, this time moving the company from its strength as a high-volume and low-margin hardware manufacturer to an organisation capable of generating new software and, at the same time, designing tailor-made full systems solutions for clients. A key element of the new strategy is supposed to see Olivetti making a name for itself in the computer services sector, where attractive value-added profits are to be found.

The grinning Cassoni, predictably enough, exudes self-confidence about the challenge. Drawing on one of his beloved Marlboros, he says he has always liked a challenge: "The thing that motivates me most in life is change, the possibility of changing things."

Born in Parma during the Second World War, Cassoni grew up in a hill-town village, losing both of his parents at the age of 18. In the early 1960s he went to Milan to take a degree in electronic engineering at the Polytechnic. Although he was a diligent student, Cassoni admits with a twinkle in his eye: "I partied a lot and had a good time and I still value having a good time."

Today, "having a good time" for Cassoni means getting away from his responsibilities at Olivetti to play tennis or golf, to ski at Saint Moritz (as he did over the Christmas break) or to live in the centre of a big city (in New York he lived off Park Avenue, in Italy he commutes to Olivetti from the centre of Milan).

From 1967 until 1980 Cassoni was a faithful and rising employee of IBM, shooting off to Minnesota to help design the old System 3 mini-computer, working for a time in Italy as a product planner and spending most of the 1970s in France and Belgium for IBM on products and marketing.

In 1980 Cassoni wrote a letter to Carlo De Benedetti, whom he did not know, offering his services. Within a week he had been whisked to Olivetti headquarters in Piedmont and hired. By 1986, when he was seconded to AT&T, Cassoni had become head of Olivetti group marketing. His return last year saw him leap-frog his former superiors.

Cassoni, stubbing out a cigarette to nibble on a mozzerella-and-ham sandwich and sip a beer, distinguishes himself immediately from many of his Italian counterparts because of his extremely direct way of discussing the problems and prospects facing the company controlled by Carlo De Benedetti.

De Benedetti's recall of Cassoni to Olivetti last year came amid a widely reported disagreement between Olivetti and AT&T. AT&T owns 22 per cent of the Italian company and accounted for more than a third of its shipments of PCs between 1984 and 1987, years during which there was much talk of a "global alliance" between the two companies.

Now the rift with the US telecoms giant has subsided, both Cassoni and De Benedetti prefer to speak of a "strictly commercial relationship" where joint ventures are undertaken only if they make plain business sense.

The dramatic fall in sales of Olivetti PCs to AT&T in 1987, together with the verbal pyrotechnics associated with last year's discord, came at a time when Olivetti's sales of office equipment products were (and are) feeling the squeeze of tough competition from Asia.

Furthermore, as admitted by Cassoni, Olivetti's sale of its new line of LSX 3000 mini-computers did not live up to expectations in 1988 ("It took us longer than I thought it would to perfect the basic offer.")

In financial terms, meanwhile, the rise in component prices, a glut in the world PC market and losses from Olivetti's Triumph-Adler subsidiary in West Germany helped send Olivetti group net profits down by 29 per cent in 1987, with a drop of 12 or 13 per cent expected for 1988. The likely Lire 350bn 1988 group net profit will thus be nearly 40 per cent below the record Lire 565bn achieved two years ago.

"It is a difficult market right now," admits Cassoni, who puts down his sandwich and launches into a soliloquy of strategies designed to enhance revenue growth in 1989 and compensate for down-to-the-bone margins by generating value-added income. The centrepiece of the new strategy is Olivetti's recently unveiled reorganisation into a holding company with three separately managed companies, all reporting to Cassoni.

PERSONAL FILE

1942: Born in Parma. Education: electronic engineering degree from Milan Polytechnic

1967: Begins work at IBM. Works in US, Italy, France and Belgium for IBM

1980: Joins Olivetti and rises to head of group marketing

1986: Named chief of AT&T's computer division

1988: Returns to Olivetti as group managing director

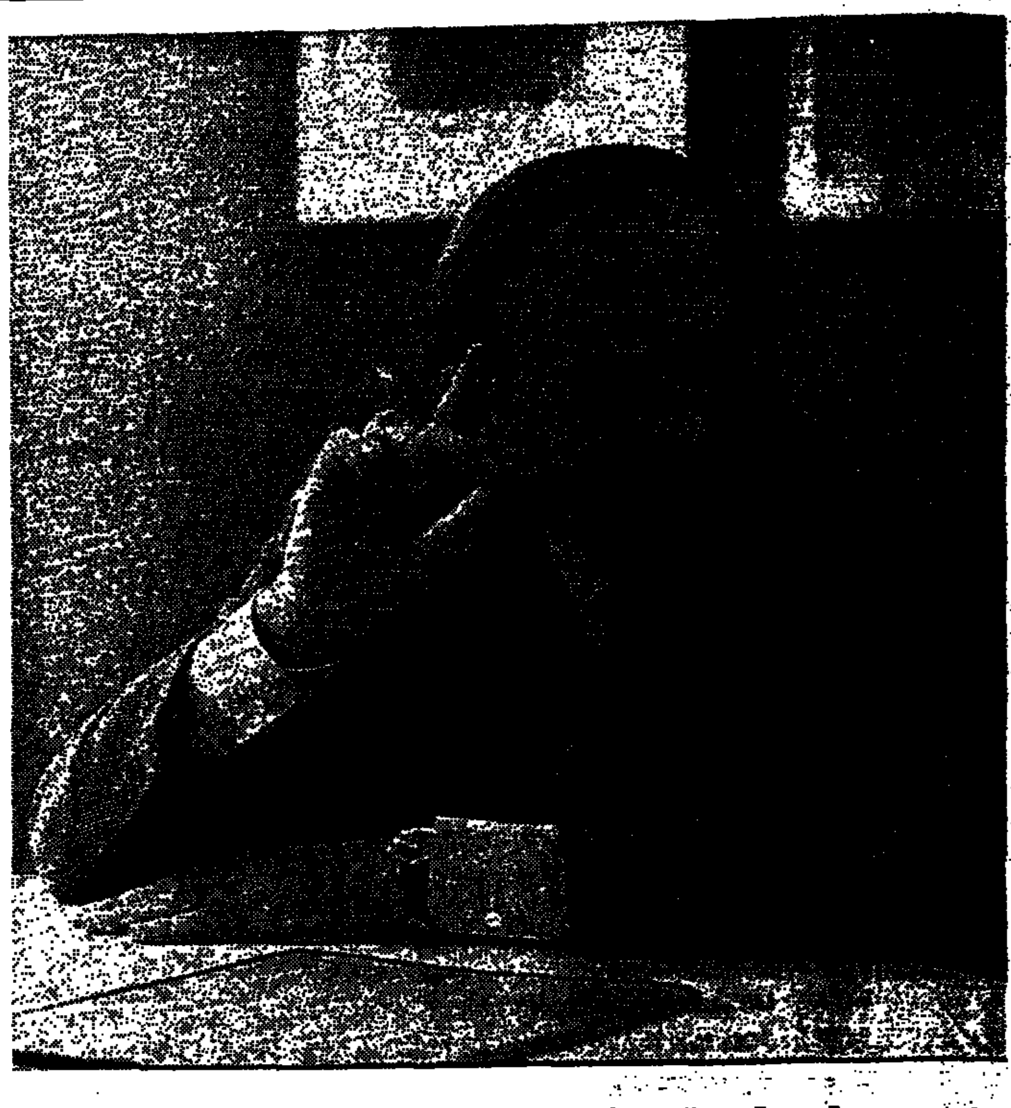
The plan to divide Olivetti up into three sub-units was announced last September and took effect on January 2. The first of the three units is Olivetti Office, which takes in products ranging from typewriters to cash registers to home PCs to furniture systems. It is to be run by Franco Tatò, a De Benedetti loyalist who has spent the past couple of years bringing Triumph-Adler out of the red.

The second is Olivetti Systems and Networks, which will be the data processing company that forms the core of the new strategy of tailoring complete systems. This unit is now run by Luigi Mercurio, who founded David Systems, a US private telecoms business.

The third unit is Olivetti Information Services, to be run by Carlo De Benedetti's brother Franco. It is aiming rather boldly to grow larger than established service companies such as Cap Gemini and thus generate fresh value-added income.

But isn't Olivetti behind its competitors in adopting the integrated systems approach? "Absolutely not," insists Cassoni, noting that Olivetti did not begin life as a personal computer company, but transformed itself into the largest European-owned concern in the sector and is now embarked upon a similar transformation. "The information technology market is undergoing a cycle of profound change that will last two to four years," he explains. He adds that this change, which requires more attention to fully integrated computer systems and custom service offerings, "is causing companies like IBM and DEC to rethink as well." The cards, he says, are being reshuffled in the computer industry. Olivetti, he argues, is the only major company in Europe committed both to the MS-DOS standard for PCs introduced by IBM and the UNIX minicomputer standard devised by AT&T.

Cassoni brushes aside industry talk of the "trauma" involved in reorganising Olivetti. "Carlo and I talked about this for a long time last summer and we wondered if we should do it this year. I said yes. It would be disruptive, but the motivating element for managers would prove greater than the disruption. And that's true." Of Olivetti's 600 managers, nearly all are in some way switching job assignments, and about 10 per cent are simply losing their jobs.



'Europe is not the ideal place for the development of cutting-edge information technology'

Cassoni considers himself a realist and says: "We in Europe have to realise that Europe does not offer the ideal context for the development of cutting edge information technology – that comes from North America because here our home markets are too small." At the same time the world computer industry is facing a "structural problem" as revenues "migrate" from computer producers to software houses and other parts distributors.

Cassoni's answer to these problems is that Olivetti's new tripartite organisation will allow it to "spread risk" among low-margin and high volume office products, integrated systems and value-added services. He also says he plans to capitalise on Olivetti's network of 4,000 dealers around Europe.

Adding value in the systems sector is Cassoni's first priority and he says Olivetti needs to do three things: "We need to be in front of the technology curve because if we fail to supply the new technology we lose customers. We need to use the industry's infrastructure and not try to compete with it. The reason why open systems are so attractive to companies such as Olivetti is that thousands of brains are already adding value to it. And we need to provide the services that customers are willing to pay for. We have been weak here in the past."

Cassoni makes no bones about the fact that the reorganisation of Olivetti will take time to implement: "There is no doubt that we will spend more at first to spend less later." And he admits that his biggest single problem is "the ability to manage change as fast as necessary."

Analysts reckon that Olivetti will be back to more than Lire 420 billion of net profits in 1989. Cassoni, after his own rigorous analysis of the company's weaknesses and strengths, says he is convinced that he can steer Olivetti's 600 managers and workforce of 59,000 through the transition period.

"Shareholders should hold our shares," says a smiling Vittorio Cassoni, "because we are going to meet the challenge." And with that remark he stubs out his last Marlboro, buttons up his double-breasted jacket and dashes off to his next appointment.

Asbestos victims who do not claim

A.H.HERMANN

Announcing last week that the UK's personal injury compensation "was not out of line with the US," the press release writers of the Centre for Socio-Legal Studies of Wolfson College, Oxford made me sit up. They were referring to an interim report* on the response in the UK to claims by workers suffering from diseases caused by exposure to asbestos which, in fact, does not reach any such general conclusion.

The report's authors, Dr William Felstiner, Director of the American Bar Foundation in Chicago, and Dr Robert Dingwall, Research fellow at Wolfson College, even point out that asbestos claim processing differs from that of other personal injury claims.

Their report deals exclusively with asbestos claims but also illustrates professional attitudes of doctors and solicitors which have a more general significance.

Comparing the British and US experience, they find that British asbestos litigation is more efficient, more equitable, faster and less costly to the public than in the US. Taking into account the benefits of the National Health Service, lower UK wages and higher US legal costs, the UK mean award of £55,130 was found by the two researchers (who made 21 case studies) as being equivalent to US level of compensation.

However, the report states as an "established fact" that US asbestos litigation is inefficient and more costly than other types of personal injury litigation; that it is inequitable because of large disparities of awards to claimants in comparable situations; and that it is slow in comparison with other types of US litigation.

The value of this comparative advantage of UK practice in this field is further drastically diminished by the finding that a large number of asbestos victims never claim compensation. The two researchers estimate that, because of its different industrial conditions, UK is likely to have a higher relative incidence of asbestos-induced disease than the US, but that the relative number of claims filed in the UK is significantly less. They conclude that "the UK might be expected to generate significantly more litigation than the US but but seems to come out with about the same amount, suggesting that there is a loss of potential cases some where in the system."

Both general practitioners and consultants, says the report, may have a limited knowledge of the employment history of their patients. Some GPs are thought to have a poor understanding of industrial diseases in general, treating the symptoms without going to the root of the illness. Even where the exposure to asbestos is known to the doctor, there is a tendency, particularly in Scotland, to assume that lung cancer is due to heavy cigarette smoking.

While a US doctor would tell the patient that he has an asbestos-linked disease and let him decide whether he wants to pursue a claim or not, the UK medical profession tends towards a paternalistic attitude and to making decisions for the patient without telling him all. Some doctors are reluctant to encourage an elderly and infirm patient to embark on the stressful and uncertain path of litigation.

The report points out that though the pursuit of a claim may be stressful, it is not as uncertain as the outcome of claims for other types of personal injury.

One reason for the greater predictability of the outcome of an asbestos claim seems to be the higher degree of specialisation of the lawyers dealing with these cases. Trade unions which play a major role in financing litigation are steering large number of cases to a small number of law firms.

There is a high degree of concentration of legal talent also on the side of the defence. Typical British cases involve a dozen or so employers, backed by four or five insurers, though in Northern Ireland the picture is somewhat different as jobs are changed less frequently.

The employers defending the case form, as a rule, an informal club sharing the burden of compensation and litigation costs in proportion to the time the claimant was employed by the individual defendants. They reduce litigation costs by ignoring the possible differences between the degree of exposure at different plants. As they mostly forgo asking for costs if they win, solicitors are able to reach discreet "no win, no fee" agreements with the claimants, thus coming close to the contingent fee system.

As most cases are settled without a trial, barristers are called in only if there are exceptional problems or where a barrister's certificate is required by the Legal Aid Board – something apparently resented by solicitors.

The report does not take kindly to the simplified, "cards on the table," pre-trial procedure proposed by the Lord Chancellor's Review of Civil Justice. It seems to be heavily influenced by the solicitors who were interviewed in the course of the research. These prefer to have plenty of time for negotiations and to conceal the real strength of the case. This, though a general practice, is hardly desirable. The reliance on vagueness on the part of doctors and solicitors, making the defendant believe that the claimant's case is much stronger than it is, replaces the rule of law with a *game of poker*.

The report's opposition to the Lord Chancellor "tinkering with procedure" contradicts its factual findings: the success of specialised solicitors, the move towards contingent fees, support the main tendency of the Lord Chancellor's review which would apply these advantages on a broader front.

* *Asbestos Litigation in the UK. An Interim Report by William L.F. Felstiner and Robert Dingwall, American Bar Foundation and the Centre for Socio-Legal Studies.*